



Southwestern Illinois College
Community College District #522

Annual Financial Report

For the Fiscal year Ended
June 30, 2018

ANNUAL FINANCIAL REPORT
SOUTHWESTERN ILLINOIS COLLEGE
COMMUNITY COLLEGE DISTRICT # 522
Belleville, Illinois

For the Fiscal Year Ended 2018

Prepared by:
Business Office
Melissa Roche, Controller

Introductory Section

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January 23, 2019

To the Members of the Board of Trustees and to the Citizens of Community College District No. 522:

I am pleased to submit the Annual Financial Report for the fiscal years which ended June 30, 2018 and June 30, 2017. Southwestern Illinois College is a comprehensive community college operating in accordance with the provisions of the Illinois Public Community Act, is recognized by the Illinois Community College Board, and is an educational institution committed to providing the best learning opportunities at an economical value. We are a starting point for higher education, a bridge to developing career skills and a pathway to personal achievement.

Founded in 1946, SWIC was originally known as Belleville Junior College. The institution was opened to serve veterans of World War II. Today, SWIC proudly serves the largest veteran and active-duty military student population in the state among public institutions.

For the last 70 years SWIC has prided itself on providing an affordable, high-quality education to its students. Serving nearly 16,000 students annually, our Triple-A success formula of Accountability, Affordability and Accessibility has allowed us to continue this commitment during these difficult economic times.

The Higher Learning Commission has extended our accreditation to 2025. SWIC has held this accreditation since 1961. Regional accreditation is critical to the institution's success. Being an accredited institution allows the college to apply for grants and to provide Title IV financial aid and Veterans benefits. Each of these benefits is critical to our core mission of helping students learn.

In addition to our devotion to our students, we are also committed to fiscal responsibility. We strive to achieve a balanced budget, closely examine spending, and implement cost-saving efficiencies to maintain a standard of academic excellence and beneficial student and community services in an era of state-funding shortfalls.

We thank the Board of Trustees for its continued interest and support in planning and conducting the financial operations of District No. 522 in a highly responsible and accountable manner and with fiscal integrity. We also thank the staff of the Business Office and our external auditors, CliftonlarsenAllen, LLP, for their contributions and assistance in preparing this report.

Principal Officials as of June 30, 2018

Board of Trustees

Name	Position	Term Expires
Nick Mance	Chair	2019
Richard E. Roehrkas	Vice Chair	2019
Dr. Harry Briggs	Trustee	2019
John S. Blomenkamp	Trustee	2023
Robert G. Morton	Trustee	2019
Philip L. Smith	Trustee	2023
Eugene Verdu	Trustee	2023
Sonny Wilson	Student Trustee	2019

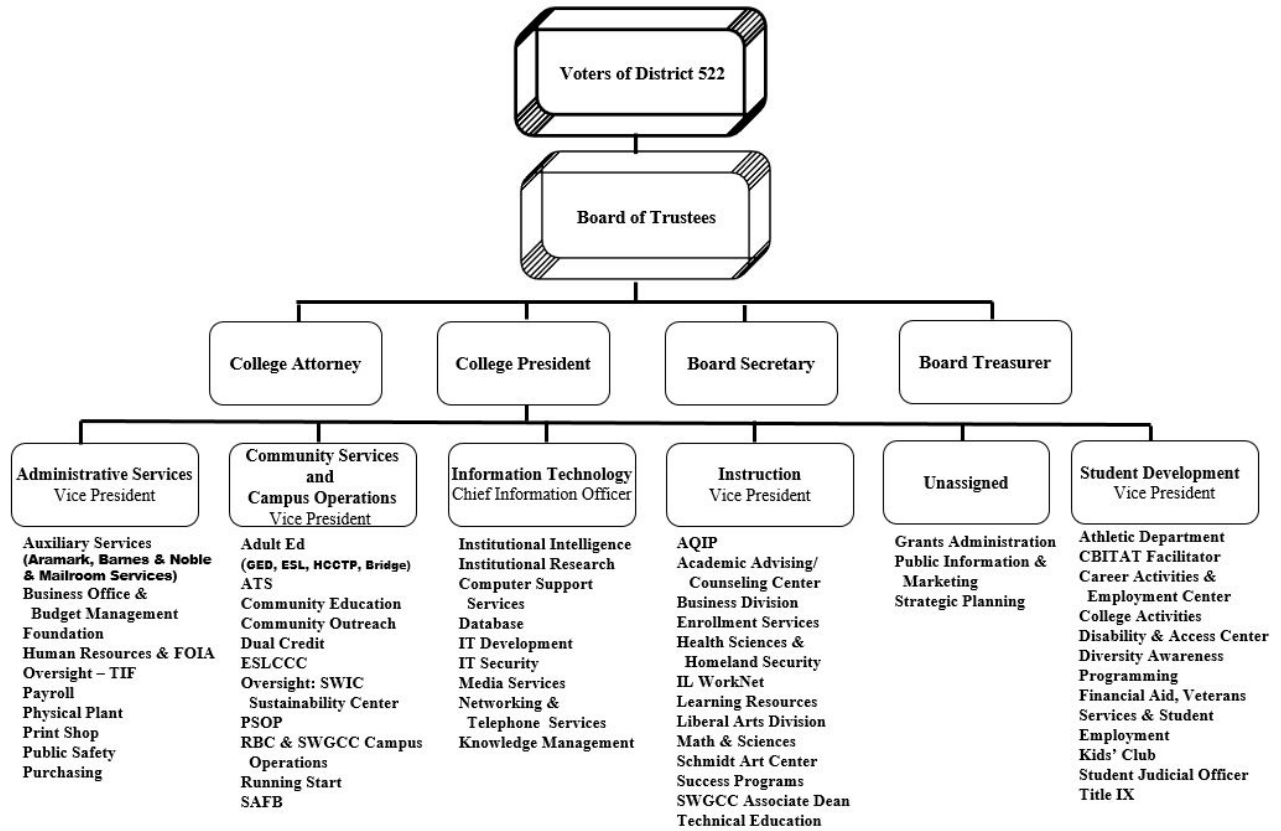
Officers of the College

Dr. Georgia Costello	President
Beverly Fiss	Board Secretary
Garrett Hoerner	College Attorney
Bernie Ysursa	Vice President for Administrative Services and Board Treasurer
Dr. James Riha	Chief Information Officer
Clay Baitman	Vice President for Instruction
Dr. Mark Eichenlaub	Vice President for Community Services
Staci Clayborne	Vice President for Student Development

Department Issuing Report

Business Office

SOUTHWESTERN ILLINOIS COLLEGE



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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Southwestern Illinois College
Community College District #522
Belleville, Illinois

Report on the Financial Statements

We have audited the accompanying basic financial statements of Southwestern Illinois College, Community College District #522 (the District), and its discretely presented component unit as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on the basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the District's 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southwestern Illinois College, Community College District #522, and its discretely presented component unit as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended June 30, 2018, the District adopted GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 15). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of Contributions on page 63, and the Schedule of the District's Proportionate Share of the Net OPEB Liability and the Schedule of District's Contributions on page 64 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Changes in Assets and Liabilities – Fiduciary Fund on page 66, the Uniform Financial Statements on pages 67 through 73, the Combining Schedules on pages 75 through 79, and the Internal Service Fund financial statements on pages 80 through 81 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards on pages 101 through 102, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

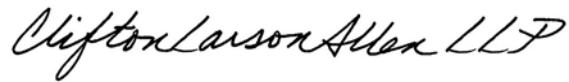
The Schedule of Changes in Assets and Liabilities – Fiduciary Fund, Uniform Financial Statements, the Combining Schedules, the Internal Service Fund financial statements, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Board of Trustees
Southwestern Illinois College
Community College District #522

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Belleville, Illinois
January 23, 2019

Management's Discussion and Analysis

Management's Discussion and Analysis

This section of Southwestern Illinois College, Community College District #522's (District), Annual Financial Report presents management's discussion and analysis of the District's financial activity during the fiscal years ended June 30, 2018 and 2017. Since this management's discussion and analysis is designed to focus on current activities, resulting changes and currently known facts, please read it in conjunction with the transmittal letter (pages iii-v), the District's basic financial statements (pages 15-22) and the footnotes (pages 23-62). Responsibility for the completeness and fairness of this information rests with the District.

Using This Annual Report

The financial statement focuses on the District as a whole. The District's basic financial statements (pages 15-22) are designed to emulate corporate presentation models whereby all District activities are consolidated into one total. The focus of the Statement of Net Position is designed to reflect the District's financial position at a certain time. This statement combines and consolidates current financial resources (short-term spendable 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 District activities, which are supported mainly by property taxes, student tuition and fees, and by other governmental revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various District services to students and the public.

Financial Highlights

Assets and deferred outflows exceeded liabilities and deferred inflows (net position) by \$76.9 million as of June 30, 2018. Of this amount, \$57.3 million is the net investment in capital assets, \$8.9 million is restricted, and \$10.7 million is unrestricted and available to meet current and future obligations of the District.

Operating revenue includes activities that have the characteristics of exchange transactions, such as student tuition and fees (net of scholarship discounts and allowances) and sales and services of auxiliary enterprises. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as (1) local property taxes, (2) state appropriations, (3) most federal, state, and local grants and contracts, and federal appropriations and (4) gifts and contributions. Operating expenses are those expenses for the purpose of providing education and operational activities of the District. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenditures. The District's operating expenses are funded primarily through nonoperating revenue. Nonoperating revenue, net of nonoperating expenses, for the year ended June 30, 2018, was \$104.2 million. State grants and contracts represented 22% of the total, local property taxes 30%, and federal grants and contracts 15%. Student tuition and fees comprised approximately 87% of the total operating revenues.

Total operating expenses for the year ended June 30, 2018, were \$76.6 million, excluding SURS and OPEB on-behalf payments. Instruction, academic support, student services and operation and maintenance of plant represented 75% of total operating expenses, while institutional, auxiliary enterprises, and public service expenses were 20%. Depreciation and amortization, which was \$5.2 million, represented 5% of total operating expenses when including SURS and OPEB related benefits per program.

Financial Analysis of the District as a Whole

Net Position As of June 30, (in millions)

	2018	2017	Increase (Decrease) 2017-2016	2016	Increase (Decrease) 2017-2016
Current assets	\$ 126.9	\$ 108.9	\$ 18.0	\$ 106.1	\$ 2.8
Non-current assets					
Capital assets, net of depreciation	66.0	70.4	(4.4)	74.7	(4.3)
Deferred outflows	1.3	0.4	0.9	0.3	0.1
Total assets	194.2	179.7	14.5	181.1	(1.4)
Current liabilities	20.5	21.2	(0.7)	20.0	1.2
Non-current liabilities	46.4	17.7	28.7	21.8	(4.1)
Deferred inflows	50.3	47.7	2.6	45.7	2.0
Total liabilities and Deferred inflows	117.2	86.6	30.6	87.5	(0.9)
Net position					
Investment in capital assets	57.3	59.8	(2.5)	62.2	(2.4)
Unrestricted	10.7	26.4	(15.7)	26.3	0.1
Restricted	8.9	7.0	1.9	5.1	1.9
Total net position	\$ 76.9	\$ 93.2	\$ (16.3)	\$ 93.6	\$ (0.4)
Total revenue	\$ 121.8	\$ 105.5	\$ 16.3	\$ 89.9	\$ 15.6
Total expenses	\$ 106.5	\$ 105.8	\$ 0.7	\$ 102.7	\$ 3.1

This schedule is prepared from the District's statement of net position (page 15) which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

As of June 30, 2018, the District's net position was \$76.9 million, of which 74% represents investment in capital assets, 12% represents resources that are available for the operation and support of the educational program, but are restricted as to their use by outside agencies and the remaining 14% represents unrestricted resources. The District's current assets totaled \$126.9 million, of which 55% represents cash and cash equivalents and 34% represents property taxes receivable. Total liabilities and deferred inflows of resources were \$117.2 million, of which 42% were deferred inflows of property taxes and OPEB related deferred outflows, 18% was current liabilities, and 40% was noncurrent liabilities.

Fiscal Year 2018 Compared to 2017

Total assets were \$194.2 million in the current year, an increase of \$14.5 million over the prior year. Current assets increased \$18 million over the prior year due to the increase in operating grants funds. An increase in the Cash and Cash Equivalents of \$20 million was offset by a decrease in the Property Tax Receivable of \$2.1 million. Noncurrent assets decreased slightly over the prior year due to a decrease in depreciable property, building and equipment, net.

Noncurrent liabilities increased \$28.7 million in comparison with the prior year due to the recording of the liability for Other Postemployment Benefits (OPEB). The District reported a liability of \$32.7 million related to the College Retiree Health Insurance program. This non current liability was offset by \$4.0 million in regular payment of the Districts Bonds. Deferred inflows increased due to the recording of deferred inflows related to the OPEB liability.

Fiscal Year 2017 Compared to 2016

Total assets were \$179.7 million in the current year and were consistent with the prior year. Current assets increased slightly over the prior year. An increase in the property tax receivable of \$1.4 million as well as an increase in Cash and Cash Equivalents of \$0.9 million contributed to the minor change. Noncurrent assets decreased slightly over the prior year due to a decrease in depreciable property, building and equipment, net.

Noncurrent liabilities decreased in comparison with the prior year due to the regular payment of the Districts Bonds. Deferred inflows increased due to the increase in the subsequent year's property taxes.

Net Position

	2018	2017	Increase (Decrease) 2018-2017	2016	Increase (Decrease) 2017-2016
Net position					
Net invested in capital assets, net of related debt	\$ 57.3	\$ 59.8	\$ (2.5)	\$ 62.2	\$ (2.4)
Unrestricted	10.7	26.4	(15.7)	26.3	0.1
Restricted	8.9	7.0	1.9	5.1	1.9
Total	<u>\$ 76.9</u>	<u>\$ 93.2</u>	<u>\$ (16.3)</u>	<u>\$ 93.6</u>	<u>\$ (0.4)</u>

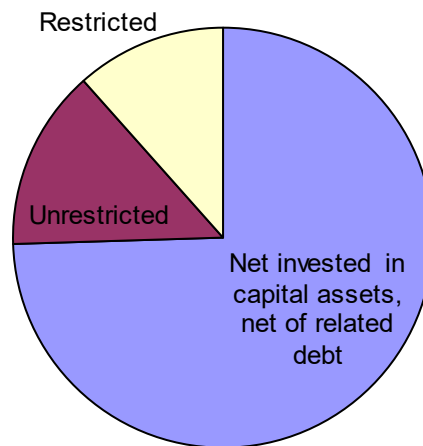
Fiscal Year 2018 Compared to 2017

The decrease in net invested in capital assets is due primarily to normal depreciation of capital assets. The unrestricted net position decreased with the prior year of \$15.7 million. The decrease was related to the addition of the Other Postemployment Benefit Liability. This decrease in net position was offset by increases associated with the recording of the remaining state grants from the prior year as well as through close monitoring of the budget.

Fiscal Year 2017 Compared to 2016

The decrease in net invested in capital assets is due primarily to normal depreciation of capital assets. The unrestricted net position is consistent with the prior year. The District achieved the consistent net position through close monitoring of the budget. Expenditures were reduced through enrollment management, decreases in institutional expenditures, and decreases in capital outlay.

The following is a graph illustration of net position:



**Operating Results for the Years Ended
June 30,
(in millions)**

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) 2018-2017</u>	<u>2016</u>	<u>Increase (Decrease) 2017-2016</u>
Operating revenue					
Tuition and fees	\$ 14.7	\$ 14.0	\$ 0.7	\$ 13.6	\$ 0.4
Other	<u>2.2</u>	<u>2.6</u>	<u>(0.4)</u>	<u>1.6</u>	<u>1.0</u>
Total operating revenue	<u>16.9</u>	<u>16.6</u>	<u>0.3</u>	<u>15.2</u>	<u>1.4</u>
Less operating expenses	<u>105.7</u>	<u>105.0</u>	<u>0.7</u>	<u>102.0</u>	<u>3.0</u>
Operating (loss)	<u>(88.8)</u>	<u>(88.4)</u>	<u>(0.4)</u>	<u>(86.8)</u>	<u>(1.6)</u>
Non-operating revenue (expense)					
Property taxes	31.7	30.6	1.1	27.9	2.7
Federal grants and contracts	15.1	15.7	(0.6)	17.0	(1.3)
State grants and contracts	23.3	9.0	14.3	3.4	5.6
Other	34.8	33.5	1.3	26.5	7.0
Interest expense	<u>(0.7)</u>	<u>(0.8)</u>	<u>0.1</u>	<u>(0.8)</u>	<u>-</u>
	<u>104.2</u>	<u>88.0</u>	<u>16.2</u>	<u>74.0</u>	<u>14.0</u>
Income (loss) before contributions	15.4	(0.4)	15.8	(12.8)	12.4
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	15.4	(0.4)	15.8	(12.8)	12.4
Net position, beginning of year	93.2	93.6	(0.4)	106.4	(12.8)
Change in accounting principle	<u>(31.7)</u>	<u>-</u>	<u>(31.7)</u>	<u>-</u>	<u>-</u>
Net position, beginning of year, as restated	61.5	93.6	(32.1)	106.4	(12.8)
Net position, end of year	<u>\$ 76.9</u>	<u>\$ 93.2</u>	<u>\$ (16.3)</u>	<u>\$ 93.6</u>	<u>\$ (0.4)</u>

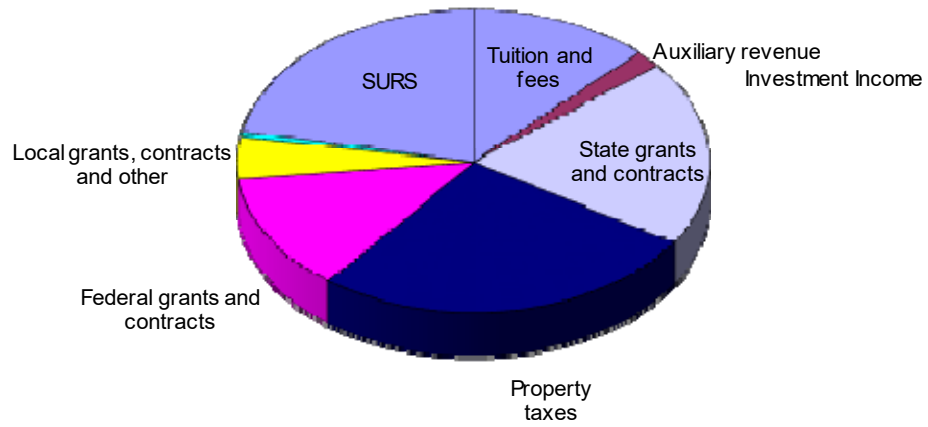
Fiscal Year 2018 Compared to 2017

Nonoperating revenue increased by \$16.2 million. This increase was mainly due to the increase in of state grants and contracts of \$14.3 million . A portion of the prior fiscal year state grant allocation was recorded in the current fiscal year, due to the official allocation date by the state.

Fiscal Year 2017 Compared to 2016

Nonoperating revenue increased by \$14.0 million. This was mainly due to the increase in the SURS contributions provided by the state of approximately \$6.7 million. The District also noted increases in state funding in comparison with the prior year of approximately \$5.6 million.

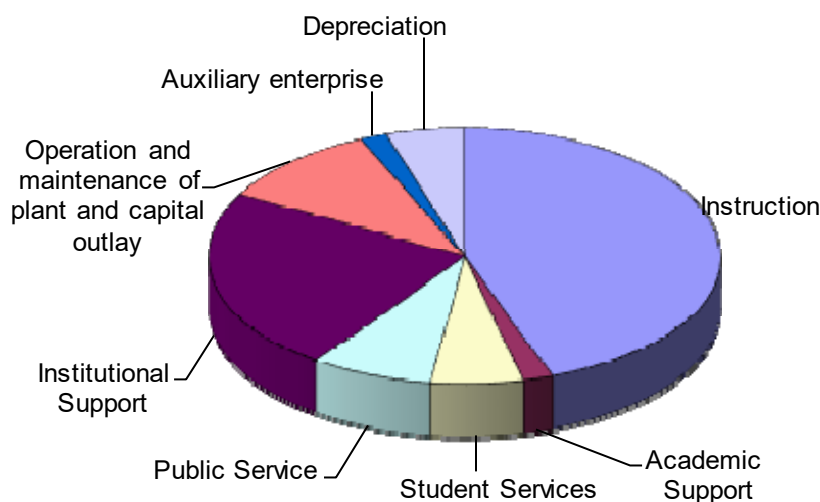
The following is a graphic illustration of revenues by source:



Operating Expenses by Program
For the Years Ended June 30,
(in millions)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) 2018-2017</u>	<u>2016</u>	<u>Increase (Decrease) 2017-2016</u>
Operating expenses by program					
Instruction	\$ 46.9	\$ 29.7	\$ 17.2	\$ 30.4	\$ (0.7)
Academic support	2.0	1.7	0.3	1.7	-
Student services	6.2	5.4	0.8	5.9	(0.5)
Public service	8.2	6.0	2.2	6.0	-
Institutional support	24.4	17.9	6.5	19.9	(2.0)
Operation and maintenance of plant	11.0	8.9	2.1	9.3	(0.4)
Auxiliary enterprise	1.8	1.7	0.1	1.8	(0.1)
Depreciation	5.2	5.3	(0.1)	5.3	-
SURS (Expensed by Program in 2018)	-	28.4	(28.4)	21.7	6.7
Total	\$ 105.7	\$ 105.0	\$ 0.7	\$ 102.0	\$ 3.0

The following is a graphic illustration of operating expenses by program:

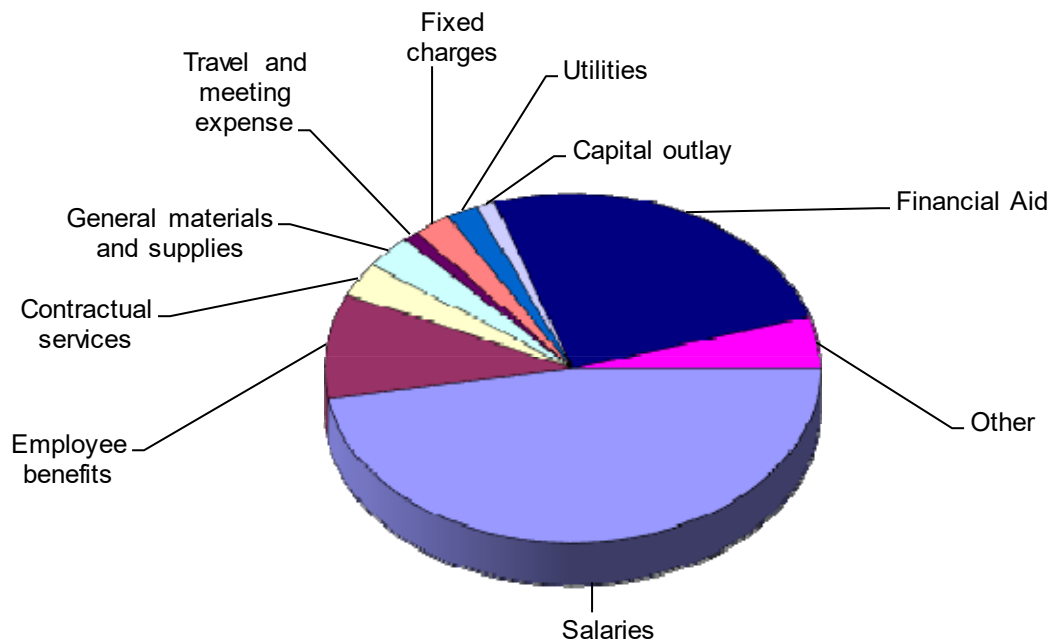


While operating expenses by program provide an important piece of financial information for managing and reporting purposes, operating expenses by object are also a valuable financial management tool. The following schedule is a summary of operating expenses by object for the Current Unrestricted and the Restricted Funds.

Operating Expenses by Object
Current Unrestricted and Restricted Funds (Modified Accrual)
For the Years Ended June 30,
(in millions)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) 2018-2017</u>	<u>2016</u>	<u>Increase (Decrease) 2017-2016</u>
Operating expenses by object					
Salaries	\$ 41.9	\$ 46.5	\$ (4.6)	\$ 48.0	\$ (1.5)
Employee benefits	8.4	8.0	0.4	7.5	0.5
Contractual services	2.8	3.3	(0.5)	4.6	(1.3)
General materials and supplies	2.8	2.9	(0.1)	3.3	(0.4)
Travel and meeting expense	0.9	0.9	-	1.0	(0.1)
Fixed charges	2.2	2.3	(0.1)	2.1	0.2
Utilities	1.8	1.7	0.1	1.7	-
Capital outlay	1.1	1.5	(0.4)	2.2	(0.7)
Financial aid	22.5	22.3	0.2	24.3	(2.0)
Other	4.1	3.6	0.5	4.3	(0.7)
Total	<u>\$ 88.5</u>	<u>\$ 93.0</u>	<u>\$ (4.5)</u>	<u>\$ 99.0</u>	<u>\$ (6.0)</u>

The following is a graphic illustration of operating expenses by object (modified accrual):



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

Fiscal Year 2018 Compared to 2017

The expenses in the Current Unrestricted and Restricted funds decreased \$4.0 million. In the current year, salaries decreased by approximately \$4 million due to the District's close monitoring of expenditures, reductions in force, and normal attrition.

Fiscal Year 2017 Compared to 2016

The expenses in the Current Unrestricted and Restricted funds decreased \$6.0 million. In the current year, financial aid expenses decreased \$2.0 million due to a decrease in financial aid awarded to students. In addition, salaries decreased by approximately \$1.5 million and contractual services decreased \$1.3 million as the District closely monitored expenditures.

Capital Assets
For the Years Ended June 30,
(in millions)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) 2018-2017</u>	<u>2016</u>	<u>Increase (Decrease) 2017-2016</u>
Capital Assets					
Land	\$ 6.5	\$ 6.5	\$ -	\$ 6.5	\$ -
Construction in progress	1.2	0.8	0.4	0.8	-
Buildings	53.5	53.5	-	53.5	-
Building improvements	46.9	46.9	-	46.9	-
Land improvements	16.8	16.8	-	16.5	0.3
Equipment	<u>18.1</u>	<u>19.2</u>	<u>(1.1)</u>	<u>18.6</u>	<u>0.6</u>
Total	143.0	143.7	(0.7)	142.8	0.9
Less Accumulated Depreciation	<u>(77.0)</u>	<u>(73.3)</u>	<u>(3.7)</u>	<u>(68.2)</u>	<u>(5.1)</u>
Net Capital Assets	<u>\$ 66.0</u>	<u>\$ 70.4</u>	<u>\$ (4.4)</u>	<u>\$ 74.6</u>	<u>\$ (4.2)</u>

Additional information regarding Capital Assets can be found in Note 5 of the Financial Statements.

Fiscal Year 2018 Compared to 2017

The slight decrease in capital assets is due to the lack of capital asset purchases and regular depreciation expense.

Fiscal Year 2017 Compared to 2016

The slight decrease in capital assets is due to the lack of capital asset purchases and regular depreciation expense.

Long-Term Debt
For the Years Ended June 30,
(in millions)

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease) 2018-2017</u>	<u>2016</u>	<u>Increase (Decrease) 2017-2016</u>
Long-term debt					
Bonds and capital lease payable	<u>\$ 17.1</u>	<u>\$ 21.0</u>	<u>\$ (3.9)</u>	<u>\$ 24.7</u>	<u>\$ (3.7)</u>

Additional information regarding Long-Term Debt can be found in Note 6 of the Financial Statements.

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Basic Financial Statements

Southwestern Illinois College
Community College District #522

Statements of Net Position
June 30

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 69,437,491	\$ 48,309,279
Restricted cash	250,388	1,158,627
Receivables:		
Property taxes	42,672,242	44,829,253
Government claims	3,564,297	3,554,548
Student tuition and fees, net of allowance of \$3,411,000 in 2018 and \$3,107,000 in 2017	9,628,890	9,134,403
Other	729,433	1,365,926
Total receivables	<u>56,594,862</u>	<u>58,884,130</u>
Prepaid items	672,368	539,046
Total current assets	<u>126,955,109</u>	<u>108,891,082</u>
Noncurrent Assets		
Land	6,515,480	6,515,480
Construction-in-progress	1,151,453	741,254
Depreciable property, buildings and equipment, net	58,300,220	63,144,735
Total noncurrent assets	<u>65,967,153</u>	<u>70,401,469</u>
Deferred Outflows of Resources		
Deferred Outflows related to OPEB liability	893,275	-
Subsequent year's pension expense related to federal, trust, or grant contributions in the current year	350,665	364,466
Total deferred outflow of resources	<u>1,243,940</u>	<u>364,466</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 194,166,202</u>	<u>\$ 179,657,017</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,491,892	\$ 2,542,618
Accrued expenses	1,449,394	2,946,143
Unearned revenues:		
Student tuition and fees	7,971,045	7,946,172
Other	1,738,957	2,002,737
Compensated absences, current	1,852,377	1,759,356
Bonds, capital lease and note payable, current	4,046,006	3,912,290
Total current liabilities	<u>20,549,671</u>	<u>21,109,316</u>
Noncurrent Liabilities		
Bonds, capital lease and note payable due in more than one year	13,063,335	17,109,347
Net OPEB liability	32,762,356	-
Compensated absences due in more than one year	536,919	532,519
Total noncurrent liabilities	<u>46,362,610</u>	<u>17,641,866</u>
Deferred Inflows of Resources		
Subsequent year's property taxes	47,503,230	47,672,959
Deferred Inflow for OPEB liability	2,822,146	-
Total deferred inflow of resources	<u>50,325,376</u>	<u>47,672,959</u>
Total Liabilities and Deferred Inflows of Resources	<u>117,237,657</u>	<u>86,424,141</u>
Net Position		
Net investment in capital assets	57,254,651	59,755,752
Restricted for:		
Capital projects	6,016,215	4,243,484
Restricted current funds	672,368	539,046
Restricted loan funds	356,201	334,895
Grants	1,913,028	1,929,099
Unrestricted	10,716,082	26,430,600
Total net position	<u>\$ 76,928,545</u>	<u>\$ 93,232,876</u>

See Notes to Financial Statements.

Southwestern Illinois College
Community College District #522

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30,

	2018	2017
Revenues:		
Operating revenues		
Student tuition and fees, net of scholarship allowances of \$14,450,059 and \$13,924,969, respectively	\$ 14,680,708	\$ 14,025,542
Auxiliary enterprise revenue	274,807	377,258
Facilities revenue	66,218	49,671
Other operating revenue	1,822,909	2,156,924
Total operating revenues	16,844,642	16,609,395
Expenses:		
Operating expenses		
Instruction	46,943,488	29,749,197
Academic support	1,983,629	1,714,245
Student services	6,184,695	5,428,244
Public service	8,245,208	5,955,437
Institutional support	24,418,090	17,920,205
Operation and maintenance of plant and capital outlay	10,974,654	8,899,451
Auxiliary enterprise	1,816,094	1,675,039
Depreciation and amortization	5,164,619	5,256,089
SURS contribution paid by state	-	28,353,401
Total operating expenses	105,730,477	104,951,308
Operating (loss)	(88,885,835)	(88,341,913)
Nonoperating revenues (expenses):		
Property taxes	31,723,722	30,575,668
Local grants and contracts	5,099,013	4,963,609
State grants and contracts	23,269,550	8,987,544
Federal grants and contracts	15,100,768	15,737,749
Investment income	760,099	278,024
Interest expense	(739,734)	(880,959)
Payments on behalf of the District	29,013,065	28,353,401
Total nonoperating revenues	104,226,483	88,015,036
Income (loss) before contributions	15,340,648	(326,877)
Capital contributions	-	-
Change in net position	15,340,648	(326,877)
Net position		
Net position - beginning of year	93,232,876	93,559,753
Change in Accounting Principle	(31,644,979)	-
Net position - beginning of year, as restated	61,587,897	93,559,753
Net position - end of year	\$ 76,928,545	\$ 93,232,876

See Notes to Financial Statements.

Southwestern Illinois College
Community College District #522

Statements of Cash Flows
Years Ended June 30

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 13,947,314	\$ 14,665,609
Payments to employees	(54,142,677)	(54,703,291)
Payments to suppliers	(14,933,442)	(16,737,612)
Auxiliary enterprise charges	274,807	377,258
Other receipts	<u>2,525,619</u>	<u>2,225,147</u>
Net cash used by operating activities	<u>(52,328,379)</u>	<u>(54,172,889)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State, federal and local grants and contracts	43,289,853	31,267,230
Property taxes	<u>33,880,733</u>	<u>29,128,391</u>
Net cash provided by noncapital financing activities	<u>77,170,586</u>	<u>60,395,621</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(730,304)	(1,019,050)
Loss on disposal of capital assets	-	7,125
Proceeds on bond issuance	-	-
Proceeds from capital lease issuance	-	-
Principal paid on debt and leases	(3,832,865)	(3,607,706)
Interest paid on debt and leases	<u>(819,165)</u>	<u>(978,715)</u>
Net cash provided (used) by capital and related financing activities	<u>(5,382,334)</u>	<u>(5,598,346)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>760,099</u>	<u>278,024</u>
Net cash provided by investing activities	<u>760,099</u>	<u>278,024</u>
Net increase (decrease) in cash	20,219,972	902,410
Cash at beginning of year	<u>49,467,906</u>	<u>48,565,496</u>
Cash at end of year	<u><u>\$ 69,687,879</u></u>	<u><u>\$ 49,467,906</u></u>
Cash and cash equivalents	\$ 69,437,491	\$ 48,309,279
Restricted cash	<u>250,388</u>	<u>1,158,627</u>
	<u><u>\$ 69,687,879</u></u>	<u><u>\$ 49,467,906</u></u>

See Notes to Financial Statements.

Southwestern Illinois College
Community College District #522

Statements of Cash Flows
Years Ended June 30

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (88,885,835)	\$ (88,341,913)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	5,164,619	5,256,089
SURS contribution paid by the State	29,013,065	28,353,401
Changes in assets and liabilities:		
(Increase) decrease in receivables	142,006	(133,020)
(Increase) decrease in prepaid items	(133,322)	78,405
Increase (decrease) in accounts payable	949,274	(5,335)
Increase (decrease) in accrued expenditures	(535,235)	602,560
Increase (decrease) in unearned revenue	(238,907)	791,640
Increase in compensated absences	97,421	(759,922)
Increase in Deferred Inflows of Resources	2,822,146	-
Increase in Deferred Outflows of Resources	(723,611)	(14,794)
Total adjustments	<u>36,557,456</u>	<u>34,169,024</u>
Net cash used by operating activities	<u>\$ (52,328,379)</u>	<u>\$ (54,172,889)</u>
Noncash, capital and related financing activities:		
Payments on Behalf of the District	<u>\$ 29,013,065</u>	<u>\$ 28,353,401</u>
Assets purchased under Capital Lease	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

Southwestern Illinois College
Community College District #522

Statements of Fiduciary Net Position
June 30

	2018	2017
Assets		
Cash and cash equivalents	\$ 688,852	\$ 712,610
Miscellaneous receivables	92,015	92,015
Prepaid Items	<u>1,106</u>	<u>205</u>
Total assets	<u>\$ 781,973</u>	<u>\$ 804,830</u>
Liabilities		
Accounts payable	\$ 11,139	\$ 41,639
Deposits held in custody for others	<u>770,834</u>	<u>763,191</u>
Total liabilities	<u>\$ 781,973</u>	<u>\$ 804,830</u>

Southwestern Illinois College Foundation

Statements of Financial Position
December 31,

	2017	2016
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 442,103	\$ 591,857
Investments	8,213,224	6,835,561
Beneficial Interest in Perpetual Trust	72,008	64,489
Contribution Receivable Under Remainder Trust	-	301,058
Pledge Receivable	-	250,000
Prepaid Expenses	-	10,722
Property and Equipment, Net	10,603	9,046
Art Collections	429,628	429,628
	<u>429,628</u>	<u>429,628</u>
Total Assets	<u>\$ 9,167,566</u>	<u>\$ 8,492,361</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 351	\$ 3,046
Total Liabilities	<u>351</u>	<u>3,046</u>
NET ASSETS		
Unrestricted	1,413,325	975,198
Temporarily Restricted:		
Life Income Fund	20,932	18,961
Specific Purposes Fund	7,248,619	7,018,370
Permanently Restricted	<u>484,339</u>	<u>476,786</u>
Total Net Assets	<u>9,167,215</u>	<u>8,489,315</u>
Total Liabilities and Net Assets	<u>\$ 9,167,566</u>	<u>\$ 8,492,361</u>

See Notes to the Financial Statements.

Southwestern Illinois College Foundation

Statement of Activities Year Ended December 31, 2017

		Temporarily Restricted		Permanently Restricted	
	Unrestricted	Life Income Fund	Specific Purposes Fund	Endowment Fund	Total
SUPPORT AND REVENUES					
Gifts and Grants	\$ 27,744	\$ -	\$ 294,114	\$ 33	\$ 321,891
Art Class Program	6,875	-	-	-	6,875
Revenue from Fundraising Events	2,221	-	53,270	-	55,491
Less: Direct Cost of Fundraising Events	-	-	(35,961)	-	(35,961)
Net Fundraising Events	2,221	-	17,309	-	19,530
Investment Income	18,777	447	184,467	-	203,691
Gifts-in-Kind from Southwestern Illinois College	317,327	-	-	-	317,327
Net Realized Gains (Losses) on Investments	18,252	275	156,095	-	174,622
Net Unrealized Gains on Investments	67,724	1,249	553,994	7,520	630,487
Rental Income	515	-	-	-	515
Transfer of Donor Restriction	-	-	-	-	-
Net Assets Released from Restrictions	975,730	-	(975,730)	-	-
Total Support and Revenues	1,435,165	1,971	230,249	7,553	1,674,938
EXPENSES					
Program:					
Students Grants and Scholarships	279,301	-	-	-	279,301
Interest Distributions	317	-	-	-	317
Program Costs	371,483	-	-	-	371,483
Total Program Expenses	651,101	-	-	-	651,101
Support:					
Management and General Costs Paid by Southwestern Illinois College	317,327	-	-	-	317,327
Investment Expense	26,847	-	-	-	26,847
Fundraising	-	-	-	-	-
Depreciation	1,763	-	-	-	1,763
Total Support Expenses	345,937	-	-	-	345,937
Total Expenses	997,038	-	-	-	997,038
CHANGE IN NET ASSETS	438,127	1,971	230,249	7,553	677,900
Net Assets - Beginning of Year	975,198	18,961	7,018,370	476,786	8,489,315
NET ASSETS - END OF YEAR	<u>\$ 1,413,325</u>	<u>\$ 20,932</u>	<u>\$ 7,248,619</u>	<u>\$ 484,339</u>	<u>\$ 9,167,215</u>

See Notes to the Financial Statements.

Southwestern Illinois College Foundation

Statement of Activities

Year ended December 31, 2016

		Temporarily Restricted		Permanently Restricted	
	Unrestricted	Life Income Fund	Specific Purposes Fund	Endowment Fund	Total
SUPPORT AND REVENUES					
Gifts and Grants	\$ 67,815	\$ -	\$ 722,061	\$ 260	\$ 790,136
Revenue from Fundraising Events	-	-	58,067	-	58,067
Less: Direct Cost of Fundraising Events	(1,140)	-	(23,432)	-	(24,572)
Net Fundraising Events	(1,140)	-	34,635	-	33,495
Investment Income	7,683	401	136,489	-	144,573
Gifts-in-Kind from Southwestern Illinois College	362,012	-	-	-	362,012
Net Realized Gains (Losses) on Investments	(4,337)	(422)	(72,281)	-	(77,040)
Net Unrealized Gains on Investments	17,461	1,306	298,382	268	317,417
Rental Income	-	-	1,050	-	1,050
Transfer of Donor Restriction	-	-	25,635	(25,635)	-
Net Assets Released from Restrictions	824,826	-	(824,826)	-	-
Total Support and Revenues	1,274,320	1,285	321,145	(25,107)	1,571,643
EXPENSES					
Program:					
Students Grants and Scholarships	247,874	-	-	-	247,874
Interest Distributions	213	-	-	-	213
Program Costs	577,451	-	-	-	577,451
Total Program Expenses	825,538	-	-	-	825,538
Support:					
Management and General Costs Paid by Southwestern Illinois College	362,012	-	-	-	362,012
Investment Expense	23,485	-	-	-	23,485
Fundraising	5,986	-	-	-	5,986
Depreciation	1,431	-	-	-	1,431
Total Support Expenses	392,914	-	-	-	392,914
Total Expenses	1,218,452	-	-	-	1,218,452
CHANGE IN NET ASSETS	55,868	1,285	321,145	(25,107)	353,191
Net Assets - Beginning of Year	919,330	17,676	6,697,225	501,893	8,136,124
NET ASSETS - END OF YEAR	<u>\$ 975,198</u>	<u>\$ 18,961</u>	<u>\$ 7,018,370</u>	<u>\$ 476,786</u>	<u>\$ 8,489,315</u>

See Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 1. Organization and Significant Accounting Policies

Organization:

Southwestern Illinois College (formerly Belleville Area College), Community College District #522 (District) is an Illinois community college. The District includes all or portions of eight counties in Southwestern Illinois. The District is governed by a Board of Trustees.

The financial statements are based on accounts prescribed or permitted by the Fiscal Management Manual of the Illinois Community College Board. The accounting policies of the District conform to accounting principles generally accepted in the United States of America, as set forth in Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The following is a summary of the more significant policies:

Financial reporting entity: The District is a unit of state and local government governed by a Board of Trustees (Board), which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The District has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt within certain dollar limits without the approval of another government and has the right to sue and be sued.

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 for 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. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include (1) the Board of Trustees of the District appointing a voting majority of an organization's governing body, (2) the ability of the District to impose its will on any organization, or (3) the potential for the Organization to provide specific benefits to, or impose specific financial burdens on, the District. Based on these criteria, the District is considered a primary government. GASB has also set forth criteria to be considered in determining the nature and significance of a relationship within the primary government. These criteria include: 1) the economic resources received or held by an organization are entirely or almost entirely for the direct benefit of the District, 2) the District is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and 3) the economic resources received or held by an organization that the District is entitled to, or has the ability to otherwise access, are significant to the District.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Southwestern Illinois College Foundation (the Foundation).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 1. Organization and Significant Accounting Policies (Continued)

The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the District in support of its programs. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered a component unit of the District. 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 nonprofit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are *Accounting for Contributions Received and Contributions Made, Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. The Foundation's financial information has been discretely presented. No modifications have been made to the Foundation's financial information in the District's financial reporting entity for these differences, however significant note disclosures to the Foundation's financial statements have been incorporated into the District's notes (See Note 17) to the financial statements.

Financial statements for the Foundation can be obtained by calling the Foundation at (618) 235-2700, ext. 5215.

Basis of accounting: Basis of accounting refers to when revenues received and expenses disbursed are recognized in the accounts and how they are reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities. Accordingly, the District's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred. All significant intra-District transactions have been eliminated. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes; federal, state, and local grants; state appropriations and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenues from grants, state appropriations, and other contributions are 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 year when the use is first permitted, matching requirements in which the District must provide local resources to be used for a specified purpose and expenditure requirements in which the resources are provided to the District on a reimbursement basis.

The District has a fiduciary fund type which accounts for assets held by the District as an agent for the students, faculty, and other governmental units. These funds are custodial in nature and do not involve the measurement of the results of operations. These funds are considered agency funds.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Note 1. Organization and Significant Accounting Policies (Continued)

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

Net investment in capital assets – This represents the District's total investment in capital assets, net of accumulated depreciation and outstanding debt incurred to acquire, construct, or improve those assets.

Restricted net position – This includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the District'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 District and may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of revenues and expenses: Operating revenue includes activities that have the characteristics of exchange transactions, such as student tuition and fees and sales and services of auxiliary enterprise, net of scholarship discounts and allowances. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as (1) local property taxes, (2) state appropriations, (3) most federal, state, and local grants and contracts, and federal appropriations and (4) gifts and contributions. Operating expenses are those expenses for the purpose of providing education and operational activities of the District. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenditures.

Deferred Outflows of Resources: The District reports decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. Implementation of GASB Nos. 68 and 71 in 2015 resulted in pension contributions paid by the District in advance of \$350,665 and \$364,466 being recorded as Deferred Outflow of Resources as of June 30, 2018 and 2017, respectively. Implementation of GASB 75 in the current year resulted in disclosing deferred outflows related to the Other Postretirement Benefit Liability (OPEB) of \$893,275.

Deferred Inflows of Resources: The District's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. The District will not recognize the related revenue until a future event occurs. In the current year financial statements, the District recorded property tax receivables related to revenue that will be recorded in the subsequent year. The second item disclosed is related to the implementation of GASB 75 in 2018. The District recorded deferred inflows related to the changes in the OPEB Liability of \$2,822,146.

Use of estimates in preparing financial statements: 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 and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 1. Organization and Significant Accounting Policies (Continued)

Federal Financial Assistance Programs: The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal family education loans, Student Support Services and other educational programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Uniform Grant Guidance for States, Local Governments and Non-Profit Organizations, and the Compliance Supplement.

Cash and cash equivalents: For purposes of reporting cash flows, the District considers all highly liquid investments purchased with a maturity of three months or less, and Illinois Funds to be cash equivalents. Investments are stated at fair value.

Restricted cash: Consists of capital project cash accounts with funds restricted for a specific project and cash accounts used to pay for self-insured health claims.

Investments: Investments are reported at fair value in accordance with guidelines defined by GASB Statement No. 72. Bank deposits, money market accounts and certificates of deposit are recorded at cost. Investment income consists of interest earned on bank deposits and money market accounts. Investments in securities are reported at market value as determined by the major securities market.

Allowance for doubtful accounts: Management has reviewed the collectability of its ordinary receivables and has deemed that all are collectible. However, the District has set up an allowance for doubtful accounts relative to the student tuition receivable and for property taxes receivable.

Capital assets: Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, curbs, gutters, sidewalks, and similar items) are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest costs on construction in progress are capitalized when amounts are significant. During the fiscal year ended June 30, 2018, the College capitalized \$35,297 of interest. During the fiscal year ended June 30, 2017, the College capitalized \$28,320 of interest.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Interest costs are capitalized on qualifying assets.

Capital assets are defined by the District as assets with estimated useful lives in excess of one year and initial individual costs in excess of \$5,000.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-45
Other structures and improvements	10-45
Equipment	5-10

The District does not capitalize or depreciate its art collections or collection of library books. These collections are unencumbered, held for public education, protected, and preserved. Any proceeds from sale of collections are insignificant.

Claims and judgments: Liability resulting from claims and judgments, if any, is recorded as the liability is incurred.

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 1. Organization and Significant Accounting Policies (Continued)

Summer school revenue and expenses: Summer session revenues and expenses are split between the two fiscal years, with appropriate amounts being recognized in the accounting period in which they are earned or incurred and become measurable.

Scholarship discounts and allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the District, and the amount that is paid by students and/or third parties making payments on the student's behalf.

On-Behalf payments for fringe benefits and salaries: The District recognizes as revenues and expenses contributions made by the State of Illinois to the State Universities Retirement System and the Illinois Community College Health Insurance Security Fund on behalf of the District's employees.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 23, 2019, the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

A. Deposits

At June 30, 2018, the District's deposits had the following balance.

Cash and Cash Equivalents	\$ 70,376,731
Less: Amounts reclassified as investments	<u>(53,327,390)</u>
Carrying amounts of deposits	<u><u>\$ 17,049,341</u></u>

At June 30, 2017, the District's deposits had the following balance.

Cash and Cash Equivalents	\$ 50,180,516
Less: Amounts reclassified as investments	<u>(40,197,904)</u>
Carrying amounts of deposits	<u><u>\$ 9,982,612</u></u>

Summary of Cash

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 69,437,491	\$ 48,309,279
Restricted Cash	250,388	1,158,627
Fiduciary cash and cash equivalents	688,852	712,610
	<u><u>\$ 70,376,731</u></u>	<u><u>\$ 50,180,516</u></u>

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 2. Cash and Cash Equivalents (Continued)

B. Investments

At June 30, 2018, the District's investment balances were as follows:

	<u>Fair Market Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>	<u>Standard & Poor's Rating</u>
Illinois Funds	\$ 22,534,379	\$ 22,534,379	\$ -	\$ -	AAAm
Illinois School District Liquid Asset Fund-Money Market	2,009,014	2,009,014	-	-	Not Rated
US Treasuries	-	-	-	-	Not Rated
Savings Deposit Accounts	28,783,997	28,783,997	-	-	Not Rated
Total	<u>\$ 53,327,390</u>	<u>\$ 53,327,390</u>	<u>\$ -</u>	<u>\$ -</u>	

At June 30, 2017, the District's investment balances were as follows:

	<u>Fair Market Value</u>	<u>Less Than 6 Months</u>	<u>6-12 Months</u>	<u>1-3 Years</u>	<u>Standard & Poor's Rating</u>
Illinois Funds	\$ 8,783,370	\$ 8,783,370	\$ -	\$ -	AAAm
Illinois School District Liquid Asset Fund-Money Market	2,996,440	2,996,440	-	-	Not Rated
US Treasuries	-	-	-	-	Not Rated
Savings Deposit Accounts	28,418,094	28,418,094	-	-	Not Rated
Total	<u>\$ 40,197,904</u>	<u>\$ 40,197,904</u>	<u>\$ -</u>	<u>\$ -</u>	

Credit Risk

The Board of Trustees has authorized the District to invest funds in accordance with the Illinois Community College Act and the Investment of Public Funds Act. The District's investment policy is to apply the prudent person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to conform with legal requirements, seek reasonable income, preserve capital, maintain liquidity and, in general, avoid speculative investments.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

Note 2. Cash and Cash Equivalents (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's investment policy allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement, and held at an independent, third party institution in the name of the District.

The District's collateralization policy is currently set at 105% of uninsured deposits. At June 30, 2018 and 2017, the District's deposits were not fully collateralized.

Concentration of Credit Risk

At June 30, 2018 and 2017, the District had greater than five percent of its overall portfolio invested in Illinois School District Liquid Asset Fund Plus Money Market. This is in accordance with the District's investment policy.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The State Treasurer maintains the Illinois Funds Money Market at cost and fair value through daily adjustment in the interest earnings. Based upon the Treasurer's Office Investment policy, the District's funds are pooled in a manner that provides the highest investment return using authorized instruments while meeting the daily cash flow demands and conforming to all pertinent statutes governing the investment of public funds.

The Illinois Funds invests in U.S. Treasury obligations, repurchase agreements collateralized at 102% by U.S. Treasury obligations, certificates of deposit issued by an Illinois financial institution, U.S. agency mortgage-backed securities, and U.S. Treasury only money-market funds rated 'AAAm' by Standard & Poor's. Other investments include commercial paper rated in one of the two highest rating categories by Standard & Poor's with a maximum final maturity of 270 days, and no asset-backed securities. The final maturity on all securities is limited to one year.

All funds deposited in the pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provision of the Illinois Public Investment Act, 30 ILCS 235.

Southwestern Illinois College
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 3. Restricted Net Position – Restricted Current Funds

At June 30, 2018, the restricted for current funds net position amount consists of \$356,201 for debt service, \$1,913,028 for grant programs, and \$672,368 for prepaid items. At June 30, 2017, the restricted for current funds net position amount consists of \$334,895 for debt service, \$1,929,099 for grant programs, and \$539,046 for prepaid items.

Note 4. Property Taxes

Property taxes are levied each year on all taxable real property in the District. The property tax calendar is specified by the Board of Trustees. Property taxes are certified on or before the last Tuesday in December and attach as an enforceable lien on the property as of the preceding January 1. These taxes become due and collectible in the following calendar year and are collected by the county collectors in the District who, in turn, remit to the District its respective share. Collection dates vary according to the schedules of the individual counties with disbursements to the District normally made within thirty days of collection.

Property taxes receivable represents the prior year's levy and an estimate of the current year's levy applicable to the portion of the current fiscal year. An allowance, if necessary, is provided for uncollectible property taxes. Property taxes that are not intended for current year operations are shown as a deferred inflow of resources. The amounts accrued from year to year will vary based upon the tax collections of the respective counties.

The following are the tax rates permitted and the actual rates levied per \$100 of assessed valuation.

	Maximum Rate	Levy Year	
		2019	2018
Education	0.1320	0.1315	0.1315
Equity	0.1362	0.1357	0.1395
Building	0.0280	0.0279	0.0279
Tort immunity	-	0.0539	0.0548
Audit	0.0050	0.0009	0.0009
Bond and interest	-	0.0651	0.0648
Protection, health, safety	0.0500	0.0443	0.0450
Social security	-	0.0088	0.0089
		<u>0.4681</u>	<u>0.4734</u>

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 5. Changes in Capital Assets

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 6,515,480	\$ -	\$ -	\$ 6,515,480
Construction in progress	741,254	410,199	-	1,151,453
Total capital assets not being depreciated	<u>7,256,734</u>	<u>410,199</u>	<u>-</u>	<u>7,666,933</u>
Capital assets being depreciated:				
Buildings	53,529,565	-	-	53,529,565
Building Improvements	46,893,688	-	-	46,893,688
Land improvements	16,819,233	-	-	16,819,233
Equipment	19,171,790	320,104	(1,399,891)	18,092,003
Total capital assets being depreciated	<u>136,414,276</u>	<u>320,104</u>	<u>(1,399,891)</u>	<u>135,334,489</u>
Less accumulated depreciation for:				
Buildings	14,122,396	1,251,455	-	15,373,851
Building Improvements	38,713,045	1,977,045	-	40,690,090
Land improvements	6,467,224	807,918	-	7,275,142
Equipment	13,966,876	1,128,201	(1,399,891)	13,695,186
Total accumulated depreciation	<u>73,269,541</u>	<u>5,164,619</u>	<u>(1,399,891)</u>	<u>77,034,269</u>
Total capital assets being depreciated, net	<u>63,144,735</u>	<u>(4,844,515)</u>	<u>-</u>	<u>58,300,220</u>
Total capital assets, net	<u>\$ 70,401,469</u>	<u>\$ (4,434,316)</u>	<u>\$ -</u>	<u>\$ 65,967,153</u>

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 5. Changes in Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 6,515,480	\$ -	\$ -	\$ 6,515,480
Construction in progress	760,006	266,046	(284,798)	741,254
Total capital assets not being depreciated	<u>7,275,486</u>	<u>266,046</u>	<u>(284,798)</u>	<u>7,256,734</u>
Capital assets being depreciated:				
Buildings	53,529,565	-	-	53,529,565
Building Improvements	46,893,688	-	-	46,893,688
Land improvements	16,534,435	284,798	-	16,819,233
Equipment	18,662,861	753,004	(244,075)	19,171,790
Total capital assets being depreciated	<u>135,620,549</u>	<u>1,037,802</u>	<u>(244,075)</u>	<u>136,414,276</u>
Less accumulated depreciation for:				
Buildings	12,870,941	1,251,455	-	14,122,396
Building Improvements	36,669,299	2,043,746	-	38,713,045
Land improvements	5,661,696	805,528	-	6,467,224
Equipment	13,048,466	1,155,360	(236,950)	13,966,876
Total accumulated depreciation	<u>68,250,402</u>	<u>5,256,089</u>	<u>(236,950)</u>	<u>73,269,541</u>
Total capital assets being depreciated, net	<u>67,370,147</u>	<u>(4,218,287)</u>	<u>(7,125)</u>	<u>63,144,735</u>
Total capital assets, net	<u>\$ 74,645,633</u>	<u>\$ (3,952,241)</u>	<u>\$ (291,923)</u>	<u>\$ 70,401,469</u>

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 6. Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 as follows:

	Balance July 1, 2017	Additions	Repayments	Balance June 30, 2018	Due Within One year
Bonds, contracts and leases payable:					
Bonds payable	\$ 20,235,000	\$ -	\$ (3,590,000)	\$ 16,645,000	\$ 3,780,000
Capital lease payable	562,002	-	(242,859)	319,143	204,928
Unamortized bond premium	<u>224,629</u>	<u>-</u>	<u>(79,431)</u>	<u>145,198</u>	<u>61,078</u>
Total bonds, contracts and leases payable	<u>21,021,631</u>	<u>-</u>	<u>(3,912,290)</u>	<u>17,109,341</u>	<u>4,046,006</u>
Other liabilities:					
Compensated absences and sick leave	<u>2,291,876</u>	<u>1,166,460</u>	<u>(1,069,040)</u>	<u>2,389,296</u>	<u>1,852,377</u>
Total other liabilities	<u>2,291,876</u>	<u>1,166,460</u>	<u>(1,069,040)</u>	<u>2,389,296</u>	<u>1,852,377</u>
	<u>\$ 23,313,507</u>	<u>\$ 1,166,460</u>	<u>\$ (4,981,330)</u>	<u>\$ 19,498,637</u>	<u>\$ 5,898,383</u>

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	Repayments	Balance June 30, 2017	Due Within One year
Bonds, contracts and leases payable:					
Bonds payable	\$ 23,595,000	\$ -	\$ (3,360,000)	\$ 20,235,000	\$ 3,590,000
Capital lease payable	809,714	-	(247,712)	562,002	242,859
Unamortized bond premium	<u>322,385</u>	<u>-</u>	<u>(97,756)</u>	<u>224,629</u>	<u>79,431</u>
Total bonds, contracts and leases payable	<u>24,727,099</u>	<u>-</u>	<u>(3,705,468)</u>	<u>21,021,631</u>	<u>3,912,290</u>
Other liabilities:					
Compensated absences and sick leave	<u>3,051,797</u>	<u>455,838</u>	<u>(1,215,759)</u>	<u>2,291,876</u>	<u>1,759,356</u>
Total other liabilities	<u>3,051,797</u>	<u>455,838</u>	<u>(1,215,759)</u>	<u>2,291,876</u>	<u>1,759,356</u>
	<u>\$ 27,778,896</u>	<u>\$ 455,838</u>	<u>\$ (4,921,227)</u>	<u>\$ 23,313,507</u>	<u>\$ 5,671,646</u>

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 6. Long-term Liabilities (Continued)

General obligation bonds

Series 2016: In December 2015, the Board approved a \$9,990,000 taxable Working Cash Bond Issue, dated February 10, 2016. The proceeds of the bonds were used to increase the District's Working Cash Fund, which was needed as a result of delayed and reduced State of Illinois Operating Grant payments. Serial retirement of principal and interest begin on December 1, 2016, with interest payable semiannually at 2%-3%. Maturity date is December 1, 2020.

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2,000,000	139,950	2,139,950
2020	2,060,000	89,200	2,149,200
2021	2,115,000	31,725	2,146,725
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 6,175,000</u>	<u>\$ 260,875</u>	<u>\$ 6,435,875</u>

Series 2007: In April 2007, the Board approved a \$20,000,000 General Obligation Community College Bond Issue. The proceeds of the bonds were used to pay off the outstanding debt certificates issued in fiscal year 2008. Serial retirement of principal and interest began on December 1, 2008, with interest payable semiannually at 4.75% - 5%. Maturity date is December 1, 2022. District debt issuances issued after the Federal Tax Reform Act of 1986 are subject to federal arbitrage regulations. This results when earnings on investments purchased from the gross proceeds of a bond issue exceed the issuer's tax-exempt borrowing rates. The District continues to monitor and report any arbitrage in accordance with the Internal Revenue Code.

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	1,780,000	462,125	2,242,125
2020	1,940,000	369,125	2,309,125
2021	2,100,000	270,750	2,370,750
2022	2,250,000	167,437	2,417,437
2023	2,400,000	57,000	2,457,000
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 10,470,000</u>	<u>\$ 1,326,437</u>	<u>\$ 11,796,437</u>

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 6. Long-term Liabilities (Continued)

Capital Lease Payable: The District has entered into several lease agreements with Konica Minolta to lease copiers and accessory equipment that are recorded as capital leases. The cost of the assets recorded under leases was \$1,203,453. Related accumulated depreciation for the assets for the year ended June 30, 2018 was \$906,312 and the net book value of the equipment under lease was \$297,141.

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	204,928	8,344	213,272
2020	114,215	1,560	113,446
	<u> </u>	<u> </u>	<u> </u>
	<u>\$ 319,143</u>	<u>\$ 9,904</u>	<u>\$ 326,718</u>

Note 7. Operating Leases

The District leases space to Aramark Corporation for a complete food service operation at the Belleville campus. Terms of the lease call for the District to provide all utilities for the lessee. The lessee retains all cash receipts. The lease agreement with Aramark Corporation automatically renews on an annual basis unless either party provides 90 days advance notice to terminate the agreement.

The District entered into an agreement with Barnes & Noble College Bookstores, Inc. (Barnes & Noble) on July 1, 2016, to operate and provide services for the bookstores of the District. The agreement expires June 30, 2021, but will continue year-to-year unless terminated by either party pursuant to the terms of the agreement. Barnes & Noble will receive all revenue generated from sales and will pay the District the applicable percentage of the bookstores' gross sales. The percentage of gross sales is 13.0% of all gross sales up to \$3.0 million, 14.0% of all gross sales from \$3.0 million to \$4.0 million and 15% of gross sales over \$4.0 million. The District has the obligation to pay Barnes and Noble the value of the stores' inventory at cost if the contract is terminated. During the years ended June 30, 2018 and 2017, the District received \$448,402 and \$528,638, respectively, from Barnes & Noble which is included as operating revenue in the Auxiliary Enterprises Fund.

The District has entered into various equipment operating leases. Total operating lease expenditure for June 30, 2018 and 2017 was \$284,935 and \$339,296, respectively. Lease commitments beyond one year are not significant.

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 8. Operating Expenses by Functional Classification

The following table provides information related to operating expenses by functional classification for the year ended June 30, 2018:

	Salaries and Benefits	Contractual Services	Supplies	Travel and Meeting	Fixed Charges	Utilities	Capital Outlay	Other	TOTAL
Instruction	\$ 43,167,461	\$ 742,068	\$ 1,787,032	\$ 354,087	\$ 18,266	\$ 524	\$ -	\$ 874,050	\$ 46,943,488
Academic support	1,792,261	15,032	43,698	2,452	130,186	-	-	-	1,983,629
Student services	8,088,496	149,628	131,567	31,306	39,673	198	-	(2,256,173)	6,184,695
Public service	6,731,714	525,057	119,626	326,431	451,927	6,582	-	83,871	8,245,208
Institutional support	13,343,602	1,968,818	374,290	63,510	1,302,875	8,265	-	7,356,730	24,418,090
Operation and maintenance of plant and capital outlay	7,886,034	356,592	399,866	8,626	783	1,806,785	1,245,979	(730,011)	10,974,654
Auxiliary enterprise	746,846	690,719	(50,993)	150,079	238,581	3,287	-	37,575	1,816,094
Depreciation and amortization	-	-	-	-	-	-	-	5,164,619	5,164,619
SURS contribution by state	-	-	-	-	-	-	-	-	-
	<u>\$ 81,756,414</u>	<u>\$ 4,447,914</u>	<u>\$ 2,805,086</u>	<u>\$ 936,491</u>	<u>\$ 2,182,291</u>	<u>\$ 1,825,641</u>	<u>\$ 1,245,979</u>	<u>\$ 10,530,661</u>	<u>\$ 105,730,477</u>

The following table provides information related to operating expenses by functional classification for the year ended June 30, 2017:

	Salaries and Benefits	Contractual Services	Supplies	Travel and Meeting	Fixed Charges	Utilities	Capital Outlay	Other	TOTAL
Instruction	\$ 27,423,760	\$ 532,597	\$ 1,416,800	\$ 295,762	\$ 19,125	\$ 1,165	\$ -	\$ 59,988	\$ 29,749,197
Academic support	1,515,816	8,276	54,309	3,096	132,748	-	-	-	1,714,245
Student services	6,081,127	108,994	180,563	44,418	67,501	279	-	(1,054,638)	5,428,244
Public service	4,679,527	71,165	194,800	308,706	479,852	7,265	-	214,122	5,955,437
Institutional support	8,886,283	1,682,167	603,627	58,120	1,528,511	10,105	-	5,151,392	17,920,205
Operation and maintenance of plant and capital outlay	5,350,534	343,597	473,317	19,900	1,488	1,670,138	1,041,983	(1,506)	8,899,451
Auxiliary enterprise	608,882	727,396	(127,273)	169,244	259,351	1,811	-	35,628	1,675,039
Depreciation and amortization	-	-	-	-	-	-	-	5,256,089	5,256,089
SURS contribution by state	-	-	-	-	-	-	-	28,353,401	28,353,401
	<u>\$ 54,545,929</u>	<u>\$ 3,474,192</u>	<u>\$ 2,796,143</u>	<u>\$ 899,246</u>	<u>\$ 2,488,576</u>	<u>\$ 1,690,763</u>	<u>\$ 1,041,983</u>	<u>\$ 38,014,476</u>	<u>\$ 104,951,308</u>

Note 9. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Compensated absences accumulate and are accrued when they are earned.

As of June 30, 2018 and 2017, employees had earned but not taken annual vacation leave which, at salary rates in effect at the end of the year, totaled \$1,315,706 and \$1,323,184, respectively. These amounts are considered current.

In 1995, the District adopted Governmental Accounting Standards Board Statement No. 16, which requires an accrual for compensated absences, insofar as its requirements pertaining to accumulated sick leave. The District estimates its liability for accrued sick leave and related benefits as of June 30, 2018 and 2017, to be \$1,073,590 and \$968,692, respectively, using the termination payment method. Of such amounts, the District estimated that \$536,671 and \$436,173 at June 30, 2018 and 2017, respectively, would be paid in the next fiscal year.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 10. Defined Benefit Pension Plans

General Information about the Pension Plan

Plan description: The District contributes to the State Universities Retirement System of Illinois, a cost-sharing multiple-employer defined benefit plan with a special funding situation whereby the State of Illinois (the State) makes substantially all actuarially determined required contributions on behalf of the participating employers. SURS was established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by 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.

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

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

Participating employers make contributions toward separately financed specific liabilities under Section 15.139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15.155(g)(relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 10. Defined Benefit Pension Plans (continued)

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

Net Pension Liability

The net pension liability (NPL) was measured as of June 30, 2017. At June 30, 2017, SURS reported a net pension liability (NPL) of \$25,841,105,995.

Employer Proportionate Share of Net Pension Liability

The amount of the proportionate share of the net pension liability to be recognized for the District is \$0. The proportionate share of the State's net pension liability associated with the District is \$274,660,842 or 1.0779% and \$257,936,876 or 1.0858% as of June 30, 2017 and 2016, respectively. This amount should not be recognized in the financial statement. The net pension liability was measured as of June 30, 2017 and 2016, respectively and the total pension used to calculate the net pension liability was determined based on the June 30, 2016 and 2015, respectively actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2017 and 2016, respectively.

Pension Expense

At June 30, 2017 and 2016, SURS reported a collective net pension expense of \$2,412,918,129 and \$2,566,164,865.

Employer Proportionate Share of Pension Expense

The employer proportionate share of collective pension expense should be recognized similarly to on behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2017 and 2016. As a result, the District recognized on-behalf revenue and pension expense of \$26,008,845 and \$28,353,401 for the fiscal years ended June 30, 2018 and 2017.

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

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

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 10. Defined Benefit Pension Plans (Continued)

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

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

Employer Deferral of Pension Expense

Employer paid \$350,665 in federal, trust, or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability measurement date of June 30, 2017, and are recognized as Deferred Outflows of Resources as of June 30, 2018.

Employer paid \$364,466 in federal, trust, or grant contributions for the fiscal year ended June 30, 2017. These contributions were made subsequent to the pension liability measurement date of June 30, 2016, and are recognized as Deferred Outflows of Resources as of June 30, 2017.

Assumptions and Other Inputs

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 10. Defined Benefit Pension Plans (Continued)

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

Discount Rate. A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.01%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage-point higher:

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

Note 11. Postemployment Benefits Other than Pensions

General Information

Plan Administration

The District participates in the state of Illinois Community College Health Insurance Security Fund (CCHISF) (also known as the College Insurance Program, "CIP"). CIP is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. Additions deposited into the Trust are for the sole benefit of providing the health benefits to retirees, as established under the plan, and associated administrative costs. CIP is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees and their dependents of Illinois Community College Districts throughout the State of Illinois, excluding the City Colleges of Chicago. The Department of Central Management Services (Department) administers the plan with the cooperation of the State Universities Retirement System and the boards of trustees of the various community college districts. Separate financial statements, including required supplementary information, may be obtained from the Department at 715 Stratton Office Building, Springfield, Illinois, 62706.

Plan Membership

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

Benefits Provided

Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years or credited service with the State, whether the annuitant is covered by Medicare and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

Contributions

The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.10) requires every active contributor of the State Universities Retirement System (SURS), who is a full-time employee of a community college district or an association of community college boards, to make contribution to the plan at a rate of 0.5% of salary. The statute also requires every community college district, as an employer under SURS, to contribute to the plan an amount equal to 0.5% of the salary paid to its full-time employees who participate in the plan (covered payroll). Retirees pay a premium for coverage. Based on the ILCS, the premium paid by retirees is determined by the Director of the Department of Central Management Services. State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the CIP in an amount certified by the SURS Board of Trustees. State appropriation covers any expected expenditures in excess of the contributions by active employees, employers, and retirees. The employer contributions made by the State of Illinois on behalf of the District to CIP and the College's contributions for the years ended June 30, 2018 and 2017 were \$147,150 and \$155,863, respectively.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 11. Postemployment Benefits Other than Pensions (Continued)

Illinois Community College Health Insurance Security Fund – OPEB Liabilities, Expense, Deferred Outflow of Resources and Deferred Inflow of Resources Related to the OPEB

The District reported a liability of \$32,762,356 as of June 30, 2018. This amount is the District's proportional share of the net OPEB liability. The State of Illinois is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Illinois' proportionate share of the net pension liability associated with the District totaled \$31,867,733. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 with procedures performed to roll forward the total OPEB liability to the June 30, 2017 measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers and the state of Illinois. At June 30, 2017, the District's proportion was 1.796539%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,193,398 for its proportionate share of the OPEB expense. In addition, the District recognized an additional \$2,857,070 as OPEB expense (and revenue) for its proportionate share of the State of Illinois' contribution to the plan.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
<u>Deferred Amounts Related to OPEB</u>		
Deferred Amounts to be Recognized in OPEB Expense in Future Periods		
Differences between Expected and Actual Experience	\$ -	\$ 92,724
Changes of Assumptions	-	2,729,077
Net Difference between Projected and Actual Investment Earnings on OPEB Plan Investments		
Earnings on OPEB Plan Investments	-	345
Changes in Proportion and Differences between Employer Contributions and Share of Contributions	<u>746,125</u>	<u>-</u>
Total Deferred Amounts to be Recognized in OPEB Expense in Future Periods	746,125	2,822,146
OPEB Contributions made subsequent to the Measurement Date	<u>147,150</u>	
Total Deferred Amounts Related to OPEB	<u><u>893,275</u></u>	<u><u>2,822,146</u></u>

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

Note 11. Postemployment Benefits Other than Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in future periods as follows:

<u>Year ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2018	\$ 149,225	564,429
2019	149,225	564,429
2020	149,225	564,429
2021	149,225	564,429
2022	149,225	564,429
	<u>\$ 746,125</u>	<u>2,822,146</u>

Actuarial assumptions and other inputs

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

- Inflation: 2.75%
- Salary Increases: Depends on service and ranges from 10.00% at less than 1 year of service to 3.75% at 34 or more years of service. Salary increase includes a 3.75% wage inflation assumption.
- Investment rate of return: 0%, net of OPEB plan investment expense including inflation
- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.00% and 9.00% for non-Medicare costs and post Medicare costs, respectively, and gradually decreases to an ultimate trend rate of 4.5%. Additional trend rate of 0.52% is added to non-Medicare cost on and after 2020 to account for the Excise tax.

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2010 to June 30, 2014.

Discount Rate

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

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 11. Postemployment Benefits Other than Pensions (Continued)

Changes Net OPEB liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at June 30, 2016:	\$ 32,008,726	(687,464)	32,696,190
Changes for the year:			-
Service Cost	2,657,949		2,657,949
Interest on Total OPEB liability	980,600		980,600
Differences Between Expected and Actual Experience of the Total OPEB Liability	(111,269)		(111,269)
Changes of Assumptions	(3,274,892)		(3,274,892)
Employer Contributions	-	155,863	(155,863)
Active Member Contributions	-	78,455	(78,455)
Net Investment Income - Projected	-	431	(431)
Benefit Payments, Including Refunds of Employee Contributions	(411,731)	(411,731)	-
Operating Expenses	-	(51,848)	51,848
Other	-	3,324	(3,324)
Net Changes	(159,343)	(225,506)	66,163
Balances at June 30, 2017	31,849,383	(912,970)	32,762,353

Sensitivity of CIP's Net OPEB Liability to changes in the Single Discount Rate

The following presents the CIP plan's net OPEB liability, calculated using a Single Discount Rate of 3.56%, as well as what the total CIP's plan net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

Sensitivity of Net OPEB Liability as of June 30, 2017 to the Single Discount Rate Assumption			
	1% Decrease 2.56%	Current Single Discount Rate Assumption 3.56%	1% Increase 4.56%
Net OPEB Liability	\$ 37,469,029	\$ 32,762,356	\$ 28,704,574

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 11. Postemployment Benefits Other than Pensions (Continued)

Sensitivity of the CIP's plan Net OPEB liability to changes in the healthcare cost trend rates

The following presents the CIP's plan net OPEB liability, calculated using the healthcare cost trend rates as well as what the total CIP's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates. The key trend rates are 8.00% in 2018 decreasing to an ultimate trend rate of 5.02% in 2025, for non-Medicare coverage, and 9.00% in 2018 decreasing to an ultimate trend rate of 4.5% in 2027 for Medicare coverage.

Sensitivity of Net OPEB Liability as of June 30, 2017 to the Healthcare Cost Trend Rate Assumption			
	1% Decrease	Healthcare Cost Trend Rate Assumption	1% Increase
Net OPEB Liability	\$ 27,179,689	\$ 32,762,356	\$ 40,841,116

- One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate trend rate of 4.02% in 2025, for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.

One percentage point increase in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 6.02% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.

Note 12. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to handle these risks of loss. The aggregate loss limits for the commercial insurance vary depending on the type of loss and include the following limits at June 30,

	2018	2017
Property	\$212,730,126	\$212,730,126
Business auto liability	1,000,000	1,000,000
Commercial general liability	3,000,000	3,000,000
Commercial umbrella liability	10,000,000	10,000,000
Workers' compensation, Self-Insured Retention	450,000	450,000
Workers' compensation, Part B, Each Accident/Each Employee for Disease	1,000,000	1,000,000

All employees are covered under the workers' compensation, Self-Insured Retention policy. The District utilizes the services of a third-party administrator for claims management and payments. The District purchases commercial insurance for claims in excess of the Self-Insured Retention amount. For the years ended June 30, 2018 and 2017, there have been no claims exceeding the Self-Insured Retention amount of \$450,000 for regular employees.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

Note 12 Risk Management (continued)

During fiscal year 2005, the District established the Employee Benefit Fund (Fund), an internal service fund, to account for and finance its uninsured risks of loss related to employee health care costs. As of December 31, 2017, the District transitioned from the comprehensive self-insurance plan through a third-party administrator to a Health Insurance Plan through Blue Cross Blue Shield. While the District was self insured during the calendar year 2017, the Fund provided coverage of the District's employee health and accident insurance up to \$100,000 in eligible claims per covered member per year. Additionally, the District purchased commercial insurance for claims in excess of coverage provided by the Fund. For the years ended June 30, 2018, 2017, and 2016, claims have not exceeded the commercial insurance coverage limit for each respective plan year.

The reserve for health care costs reported in the Fund at June 30, 2018 and 2017, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liability includes all known claims and an amount for claims that have been incurred but not reported (IBNR) as well as an estimate of the related loss adjustment expense.

The following is a reconciliation of changes in the reserve for health care costs for the current and prior two fiscal years. The reserve is based on deposits net of changes for the past year when the plan began.

	2018	2017	2016
Reserve for health care costs at July 1	\$1,416,112	\$968,035	\$1,118,165
Claims incurred during the period	3,967,015	6,223,796	5,227,175
Changes in the estimate	(1,210,531)	282,729	67,196
Payments on claims	(3,997,596)	(6,058,448)	(5,444,501)
Reserve for health care costs at June 30	<u>\$175,000</u>	<u>\$1,416,112</u>	<u>\$968,035</u>

The District is named as a defendant in various legal actions arising in the normal course of operations. The District's management believes the resolution of those actions will not have material effect on the District's financial statements.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 13. Commitments and Building Construction

All known asbestos, if not in the process of being abated during a current renovation project, is contained and poses no immediate threat to public health. Such asbestos may be remediated when future renovation occurs, if the District deems appropriate. The amount expended in fiscal years 2018 and 2017 for asbestos remediation was \$0 and \$0, respectively. The amounts were funded by Protection, Health and Safety property tax revenues.

Southwestern Illinois College has a contract with Bi-State Development Agency of the Missouri-Illinois Metropolitan District for transportation services. The contract requires the College to pay a set boarding fee for passes adopted by the Agency Board of Commissioners. The contract expired on June 30, 2016, and has been renewed for fiscal year 2016. During fiscal years 2018 and 2017, the District paid approximately \$400,000 and \$375,000 for boarding passes under this contract.

Note 14. New Government Accounting Standards

The District has adopted the following statement during the year ended June 30, 2018:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was effective for periods beginning after June 15, 2017. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit other postemployment benefits (OPEB), this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. Implementation of this pronouncement required a change on the face of the financial statements, additional disclosures related to OPEB in note 11 to the University's financial statements and an adjustment to net position as of July 1, 2017 as disclosed in note 15.

The District has adopted the following statement during the year ended June 30, 2017:

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015 is effective for the fiscal year ending June 30, 2017. This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The District added footnote disclosures as prescribed by this Statement.

Note 15. Restatement of Net Position

Due to the District adopting GASB Statement No. 75 as of July 1, 2017, beginning of the fiscal year amounts were reduced for net position due to recognition of OPEB liability and its related deferred outflows of resources.

Change in Beginning Balance of Net Position	
Net position, beginning of year, as previously reported	\$ 93,232,876
Cumulative effect of change in accounting principle	(31,644,979)
Net position, beginning of year, as adjusted	<u><u>\$ 61,587,897</u></u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 16. Tax Abatements

Tax abatements, as defined by Governmental Accounting Standards Board ("GASB") ("GASB") Statement No. 77, Tax Abatement Disclosures ("GASB 77"), are agreements between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

Since the District does not and has not entered into tax abatement agreements directly with any individuals or entities, the following estimates are from tax abatements entered into by other governments, specifically the county and municipalities within the District's boundary, that have reduced the District's tax revenues.

Tax Increment Financing affecting SWIC

Illinois' Tax Increment Allocation Redevelopment Act enables local governments to finance certain redevelopment costs with the revenue generated from (i) payments in lieu of real estate taxes, as measured by the net increase in assessed valuation resulting from redevelopment and (ii) a portion of the increase in other local tax revenue associated with new economic activity. When a tax increment financing ("TIF") plan is adopted, real estate taxes in the redevelopment area are affected. By applying the real estate tax rate of all taxing districts having taxing power within the redevelopment area to the increased assessed valuation resulting from redevelopment, a tax "increment" is produced.

The estimated TIF incremental values and the District's net reduced tax revenue resulting from the TIFs adopted are as follows for the year ended June 30, 2018:

	TIF Incremental Value / Assessments	Reduced Tax Revenues
Various Redevelopment Project Areas within the District's Geographic Area	562,779,150	\$ 2,630,543

In addition, the District has received \$84,134 of payments from various governments in association of the forgone revenue.

Southwestern Illinois College
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Note 16. Tax Abatements (Continued)

Tax Abatements affecting SWIC

The District's property tax revenues were reduced through Enterprise Zone Abatements. The Illinois Enterprise Zone Program is designed to stimulate economic growth and neighborhood revitalization in economically depressed areas of the state through state and local tax incentives, regulatory relief and improved governmental services. The amount of the District's tax revenues that were abated by the county and cities initiating the programs are reported in the following table.

	<u>Abated EAV</u>	<u>Abated Tax</u>
Madison	16,269,466	\$ 75,620

Note 17. Discretely Presented Component Unit

The December 31, 2017 and 2016 footnotes of Southwestern Illinois College Foundation, a discretely presented component unit of the District are as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements.

Nature of Activities

The Southwestern Illinois College Foundation (the Foundation) was organized in 1975 as a nonprofit corporation. The purpose of the Foundation is to assist in developing and increasing the facilities of Southwestern Illinois College by encouraging the donation of gifts, to administer such gifts, and to solicit, receive, hold, and administer contributions for scholarships, programs, and enhancement grants.

The Foundation, which raises and holds economic resources for the direct benefit of Southwestern Illinois College, is considered to have a significant relationship with and is considered a component unit of Southwestern Illinois College.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to four categories of net assets. A description of the net asset categories follows:

Unrestricted net assets represent the portion of expendable net assets that are available for support of operations and are not subject to donor stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

The temporarily restricted life income fund represents net assets that are temporarily restricted until the death of the donor and the subsequent death of the donor's spouse. Investment income from these net assets is distributed annually to the respective donor and, after the donor's death, for the remaining life of the donor's spouse.

The temporarily restricted specific purposes fund represents the net assets that are subject to restrictions of gift instruments that require the principal and investment income be distributed for specific scholarships or other specific purposes.

The permanently restricted endowment fund represents net assets that are subject to restrictions requiring in perpetuity that the principal be invested and the income only be used.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include money market funds with average maturities of three months or less.

Investments

The Foundation carries all investments in debt securities and investments in equity securities with readily determinable fair values at fair value in the statement of financial position, with realized and unrealized gains and losses being reflected in the statement of activities.

Beneficial Interest in Perpetual Trusts

The Foundation is the beneficiary of a perpetual trust held by a third party. Under the terms of the trust, the Foundation has the irrevocable right to receive the income generated by the trust in perpetuity, but never receive the corpus of the trust. The beneficial interest in the perpetual trust is recorded at the Foundation's proportional share of the fair value of the underlying trust assets.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contribution Receivable under Remainder Trust

The Foundation is the beneficiary of a remainder trust held by a third party. Under the terms of the trust, the Foundation is the beneficiary of a decedent's trust assets which was received by the Foundation in 2017. The contribution receivable under the remainder trust at December 31, 2016 is recorded at the Foundation's proportional share of the fair value of the underlying trust assets as of the date of death. Management considers the amount fully collectible.

Pledge Receivables

Management believes pledge receivables are fully collectible; consequently, no allowance for bad debts has been recorded.

Property and Equipment

Property and equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset.

Art Collections

Accessions of art collection items are capitalized at cost if the items were purchased or at their appraised fair value on the accession date (the date which the item is accepted by the Foundation's board of directors) or insurance replacement value if the items were contributed. Art collection items are not depreciated. Gains and losses from deaccessions of these items are reflected in the statement of activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions, if any.

Gifts and Grants

Gifts and grants are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "Net Assets Released from Restrictions."

Donated marketable securities and other noncash donations are recorded as gifts at their estimated fair values at the date of donation.

Unconditional promises to give are recognized as revenues or gains in the period received as assets, decreases in liabilities, or decreases in expenses depending on the form of the benefits received. Unconditional promises to give that are expected to be collected are recorded at net realizable value. There were unconditional promises to give reported as pledge receivable of \$250,000 at December 31, 2016 that was collected in 2017. Additionally, the Foundation was a beneficiary of a remainder trust of a decedent recorded as a contribution receivable under remainder trust in the amount of \$301,058 at December 31, 2016 which was collected during 2017.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts and Grants (Continued)

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. When collected prior to satisfaction of donor restrictions, amounts are reported as refundable advances.

Investment Income

Investment income consists of interest and dividends. Income and losses are allocated based on the percentage of the respective ending unrestricted, temporarily restricted, and permanently restricted net asset balance, before the allocation of investment income. Investment income earned on permanently restricted funds is reported in temporarily restricted net assets, as income earned on these funds is available for current use.

Investment income is reported as follows:

As increases in permanently restricted net assets if the terms of the gift or the board's interpretation of relevant state law requires that they be added to the principal of a permanent endowment fund;

As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; and

As increases in unrestricted net assets in all other cases.

In-Kind Materials, Facilities, and Services

Donated supplies and materials are recorded as contributions and as expenses of the appropriate program or supporting service at their determinable fair value at the date of donation.

Donated property and equipment and art collections are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment and art collections are reported as increases in restricted net assets. Absent donor stipulations regarding how long the donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted assets at that time.

Donated facilities are recorded as contributions and expenses at the date of donation at the amount of (a) the fair rental value of the facilities if the Foundation receives the use of the facilities at no cost or (b) the fair rental value of the facilities less the Foundation's contractual lease obligation if it receives the use of the facilities at below-market rates.

Donated services are recorded as contributions and expenses at their estimated fair value at the date of donation if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Foundation have been summarized on a functional basis in the statements of activities. Expenses are charged to program, management and general, and fundraising based on management's best estimates of payroll allocation, square footage, and total direct expenses. Management and general expenses include those expenses that are not directly identifiable with direct benefit of the students at SWIC but provide for the overall support and direction of the Foundation. Program expenses include direct support of programs offered and scholarships provided to students of Southwestern Illinois College.

Income Taxes

The Foundation is an organization exempt from income taxes as defined in the Internal Revenue Code Section 501(c)(3).

The Foundation follows standards governing the accounting for uncertainty in income taxes. This guidance prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Foundation evaluated its tax positions and determined it has no uncertain tax positions as of December 31, 2017 and 2016.

The Foundation's income tax returns are subject to review and examination by federal and state authorities. The Foundation is not aware of any activities that would jeopardize its tax-exempt status. The Foundation is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure in these financial statements through July 10, 2018, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

Nonprofit Entities

The FASB has issued new guidance on financial reporting for nonprofit entities. The guidance requires a nonprofit entity to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a nonprofit entity will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets. The guidance also requires a nonprofit entity to present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes. Nonprofit entities will continue reporting the currently required amount of the change in total net assets for the period. The guidance also requires a nonprofit entity to continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

The guidance also requires enhanced disclosures about the following:

- Amounts and purposes of governing board designations, appropriations, etc.
- Composition of net assets with donor restrictions at the end of the period
- Qualitative information that communicates how an entity manages its liquid resources
- Quantitative and additional qualitative information as necessary that communicates the availability of an entity's financial assets
- Amounts of expenses by both their natural classification and their functional classification
- Methods used to allocate costs among program and support functions
- Underwater endowment funds

The guidance also requires that the Organization report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses. The guidance also requires that the Association use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

The guidance will be required for the first fiscal year beginning after December 15, 2017. Based on a preliminary analysis, the Organization expects the new guidance will have a significant impact on its financial statements for the year ended December 31, 2018.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, which is a principles-based standard that replaces all existing guidance under U.S. GAAP. It requires different judgements and estimates and additional financial statement disclosures. It also requires entities to review the terms of their agreements with their customers and sources of revenue to access how they should be accounted for under the new standard. The Organization is evaluating the potential impact of this standard on its financial statements.

INVESTMENTS

The cost and fair value of investments as of December 31, 2017, are as follows:

	2017	
	Cost	Fair Value
U.S. Treasury Securities	\$ 1,272,364	\$ 1,248,434
Government and Corporate Debt Securities	1,448,931	1,452,540
Fixed Income Mutual Funds	729,013	728,557
Equity Mutual Funds	2,406,975	2,746,133
Common Stocks	1,638,184	2,037,560
Total	<u>\$ 7,495,467</u>	<u>\$ 8,213,224</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

INVESTMENTS (CONTINUED)

The cost and fair value of investments as of December 31, 2016, are as follows:

	2016	
	Cost	Fair Value
U.S. Treasury Securities	\$ 1,213,542	\$ 1,184,395
Government and Corporate Debt Securities	1,148,463	1,130,061
Fixed Income Mutual Funds	658,226	654,933
Equity Mutual Funds	2,188,346	2,202,118
Common Stocks	1,540,440	1,664,054
Total	<u>\$ 6,749,017</u>	<u>\$ 6,835,561</u>

Fair value of investments and cash and cash equivalents held for Endowment are \$518,495 and \$520,047 at December 31, 2017 and 2016, respectively.

FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. The category generally includes certain U.S. Government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant measurement judgment or estimation. This category generally includes certain private debt and equity investments.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular asset.

The following tables present the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2017 and 2016:

December 31, 2017				
	Total	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 1,248,434	\$ -	\$ 1,248,434	\$ -
Government and Corporate				
Debt Securities	1,452,540	-	1,452,540	-
Fixed Income Mutual Funds	728,557	728,557	-	-
Equity Mutual Funds	2,746,133	2,746,133	-	-
Common Stocks	2,037,560	2,037,560	-	-
Total Investments	8,213,224	5,512,250	2,700,974	-
Beneficial Interest in Perpetual Trust	72,008	-	-	72,008
Total	<u>\$ 8,285,232</u>	<u>\$ 5,512,250</u>	<u>\$ 2,700,974</u>	<u>\$ 72,008</u>

December 31, 2016				
	Total	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 1,184,395	\$ -	\$ 1,184,395	\$ -
Government and Corporate				
Debt Securities	1,130,061	-	1,130,061	-
Fixed Income Mutual Funds	654,933	654,933	-	-
Equity Mutual Funds	2,202,118	2,202,118	-	-
Common Stocks	1,664,054	1,664,054	-	-
Total Investments	6,835,561	4,521,105	2,314,456	-
Beneficial Interest in Perpetual Trust	64,489	-	-	64,489
Total	<u>\$ 6,900,050</u>	<u>\$ 4,521,105</u>	<u>\$ 2,314,456</u>	<u>\$ 64,489</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value of common stocks, mutual funds, brokered certificates of deposit, and U.S. Treasury securities has been determined from observable market quotations. Government and corporate debt securities have been valued using market quotations of similar financial instruments.

The following tables provide a summary of changes in fair value of the Foundation's Level 3 financial assets for the year ended December 31, 2017 and 2016:

	Beneficial Interest In Perpetual Trust	
	2017	2016
Balance as of January 1	\$ 64,489	\$ 70,232
Increase (Decrease) in Value of Beneficial Interest	7,519	(5,743)
Balance as of December 31	<u>\$ 72,008</u>	<u>\$ 64,489</u>

PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	2017	2016
Property and Equipment	\$ 28,528	\$ 25,207
Less: Accumulated Depreciation	17,925	16,161
Total	<u>\$ 10,603</u>	<u>\$ 9,046</u>

RELATED PARTY CONTRIBUTION OF FACILITIES, EQUIPMENT, AND SERVICES

The Foundation received contributions of the use of facilities, the use of equipment, supplies, and services from Southwestern Illinois College totaling \$317,327 and \$362,012 for the years ended December 31, 2017 and 2016, respectively.

CONCENTRATION OF CREDIT RISK

During the years ended December 31, 2017 and 2016, certain cash and investment balances exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limits and the Securities Investors Protection Corporation (SIPC) insurance limits. However, the Foundation has not experienced any losses in such accounts.

Southwestern Illinois College
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

BOARD DESIGNATED NET ASSETS

The Foundation's Board of Directors designated unrestricted net assets as of December 31, 2017 and 2016 for the following purposes:

	2017	2016
Enhancement Grants	\$ 25,000	\$ 25,000
Scholarships	366,846	-
Total	<u>\$ 391,846</u>	<u>\$ 25,000</u>

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available as of December 31, 2017 and 2016 are restricted to the following purposes or periods.

	2017	2016
Scholarships	\$ 4,885,140	\$ 4,712,961
Academic Expenses	2,163,478	1,905,409
Capital Improvements	200,000	400,000
Life Income Fund	20,932	18,961
Total	<u>\$ 7,269,550</u>	<u>\$ 7,037,331</u>

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$484,339 and \$476,786 as of December 31, 2017 and 2016, respectively, are restricted for the purpose of scholarships.

TEMPORARILY RESTRICTED NET ASSETS RELEASED

Temporarily restricted net assets released in accordance with donor restrictions during the years ended December 31, 2017 and 2016 are comprised of the following:

	2017	2016
Capital Improvements	\$ 200,000	\$ 400,000
Scholarships & Grants	279,301	247,874
Academic Expenses	496,429	176,952
Total	<u>\$ 975,730</u>	<u>\$ 824,826</u>

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

ENDOWMENTS

Interpretation of Relevant Law

The Foundation's endowment consists of individual funds established primarily for scholarship purposes. The funds are all donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Foundation has interpreted Illinois' Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of 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 accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UMIFA.

The state of Illinois adoption of Uniform Prudent Management of Institutional Funds Act UPMIFA added certain prudent spending measures to UMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate appreciation of donor-restricted endowment funds:

- (1) The long and short term needs of the Foundation in carrying out its purposes
- (2) Present and anticipated financial requirements
- (3) General economic conditions
- (4) Price level trends
- (5) The expected total return on its investments

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. At December 31, 2017 and 2016, there were no such deficiencies.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of assets. The Foundation's goal of its endowment funds, over a ten-year time period, is to provide an absolute rate of return of approximately 6%. Actual returns in any given year may vary from this amount.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

ENDOWMENTS (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 permanent endowment funds are limited to fixed income investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.75% of its portfolio market value, based upon a three year moving average method. In establishing this policy, the Foundation considered the long-term expected return on its investments. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to grow. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The following is a summary of endowment funds subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The tables exclude the perpetual trust endowment funds, as these are not subject to UPMIFA:

Endowment Net Asset Composition by Type of Fund as of December 31, 2017 and 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2017</u>				
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 106,165</u>	<u>\$ 412,330</u>	<u>\$ 518,495</u>
<u>2016</u>				
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 107,750</u>	<u>\$ 412,297</u>	<u>\$ 520,047</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

ENDOWMENTS (CONTINUED)

Change in endowment net assets for the years ended December 31, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of Year	\$ -	\$ 107,750	\$ 412,297	\$ 520,047
Investment Return:				
Investment Income	-	3,698	-	3,698
Net Appreciation (Realized and Unrealized)	-	14,232	-	14,232
Total Investment Return	-	17,930	-	17,930
Contributions	-	-	33	33
Transfer of Donor Restriction	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(19,515)	-	(19,515)
End of Year	<u>\$ -</u>	<u>\$ 106,165</u>	<u>\$ 412,330</u>	<u>\$ 518,495</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of Year	\$ -	\$ 122,675	\$ 437,672	\$ 560,347
Investment Return:				
Investment Income	-	2,738	-	2,738
Net Appreciation (Realized and Unrealized)	-	4,540	-	4,540
Total Investment Return	-	7,278	-	7,278
Contributions	-	-	260	260
Transfer of Donor Restriction	-	(5,706)	(25,635)	(31,341)
Appropriation of Endowment Assets for Expenditure	-	(16,497)	-	(16,497)
End of Year	<u>\$ -</u>	<u>\$ 107,750</u>	<u>\$ 412,297</u>	<u>\$ 520,047</u>

Southwestern Illinois College
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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Note 17. Discretely Presented Component Unit (Continued)

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only)

	As of December 31,	
	2017	2016
Permanently Restricted Net Assets		
The Portion of Perpetual Endowment Funds that is Required to be Retained Permanently Either by Explicit Donor Stipulation or UMIFA	\$ 412,330	\$ 412,297
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 412,330</u>	<u>\$ 412,297</u>
Temporarily Restricted Net Assets		
Term Endowment Funds	\$ 30,220	\$ 30,671
The Portion of Perpetual Endowment Funds Subject to a Time Restriction under UMIFA:		
Without Purpose Restrictions	-	-
With Purpose Restrictions	<u>75,945</u>	<u>77,079</u>
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u>\$ 106,165</u>	<u>\$ 107,750</u>

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplementary Information for the Year Ended June 30, 2018 and 2017

Schedule of the Districts Proportionate Share of the Net Pension Liability		FY 2014	FY 2015	FY 2016	FY 2017
District's Percentage of the Collective Net Pension Liability	0%		0%	0%	0%
District's Proportionate Amount of the Collective Net Pension Liability		\$ -	\$ -	\$ -	\$ -
State's Proportionate Amount of the Collective Net Pension Liability associated with the District total		\$ 248,326,776	\$ 257,936,876	\$ 286,888,725	\$ 274,660,842
		<u>\$ 248,326,776</u>	<u>\$ 257,936,876</u>	<u>\$ 286,888,725</u>	<u>\$ 274,660,842</u>
Employer DB Covered-Employee Payroll		\$ 41,382,491	\$ 39,610,031	\$ 39,884,515	\$ 38,040,432
Proportion of Collective Net Pension Liability associated with the District as a percentage of covered employee payroll		600.08%	651.19%	719.30%	722.02%
SURS Plan Net Position as a Percentage of Total Pension Liability		44.39%	42.37%	39.57%	42.04%
Schedule of Contributions		FY 2014	FY 2015	FY 2016	FY 2017
Federal, Trust, Grant and Other Contribution		\$ 390,857	\$ 327,910	\$ 349,672	\$ 364,466
Contribution in relation to required contribution		\$ (390,857)	\$ (327,910)	\$ (349,672)	\$ (364,466)
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer Covered-Employee Payroll		\$ 41,382,491	\$ 39,693,600	\$ 38,702,135	\$ 36,655,837
Contributions as a percentage of covered employee payroll		0.94%	0.83%	0.90%	0.99%
					1.02%
Additional Information		FY 2014	FY 2015	FY 2016	FY 2017
On-Behalf Payments for Community College Health Insurance Program		\$ 155,681.99	\$ 153,386.35	\$ 158,365.30	\$ 155,862.96
					\$ 147,172.22

**Notes to Required Supplementary Information
For the Year Ended June 30, 2018**

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

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

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

Southwestern Illinois College
Community College District #522

Required Supplementary Information for the Year Ended June 30, 2018

Schedule of District's Proportionate Share of the Net OPEB Liability
Community College Health Insurance Security Fund
Year Ended June 30, 2018

	<u>2017</u>
District's proportion of the net OPEB liability	1.796539%
Portion of nonemployer contributing entities' total proportion of collective net OPEB liability associated with employer	\$ 31,867,733
District's proportionate share of the net OPEB liability	\$ 32,762,356
District's covered payroll	\$ 31,171,527
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	105.10%
Plan fiduciary net position as a percentage of the total OPEB liability	-2.87%

Southwestern Illinois College
Community College District #522

Required Supplementary Information for the Year Ended June 30, 2018

Schedule of District's Contributions
Community College Health Insurance Security Fund
Year Ended June 30, 2018

	<u>2017</u>
Fiscal Year Ending June 30,	
Contractually Required Contribution	\$ 155,863
Contributions in Relation to the Contractually Required Contribution	<u>\$ 155,863</u>
Contribution Deficiency (Excess)	<u>-</u>
District's Covered Payroll	\$ 31,171,527
Contributions as a Percentage of Covered payroll	0.5%

**SOUTHWESTERN ILLINOIS COLLEGE
COMMUNITY COLLEGE DISTRICT #522
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COMMUNITY COLLEGE HEALTH INSURANCE SECURITY FUND
YEAR ENDED JUNE 30, 2018**

NOTE 1 CHANGES IN BENEFIT TERMS

In the June 30, 2017 actuarial valuation, there were no changes in benefit terms.

NOTE 2 CHANGES OF ASSUMPTIONS

In the June 30, 2017 actuarial valuation, there were no changes of assumptions.

SUPPLEMENTAL INFORMATION

Southwestern Illinois College
Community College District #522

Schedule of Changes in Assets and Liabilities - Fiduciary Fund
Year Ended June 30, 2018 and 2017

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Assets				
Cash and cash equivalents	\$ 712,610	\$ 804,843	\$ 828,601	\$ 688,852
Miscellaneous receivables	92,015	535,988	535,988	92,015
Prepaid Items	205	1,106	205	1,106
Total Assets	\$ 804,830	\$ 1,341,937	\$ 1,364,794	\$ 781,973
Liabilities				
Accounts Payable	\$ 41,639	\$ 295,281	\$ 325,781	\$ 11,139
Deposits held in custody for others	763,191	2,612,887	2,605,244	770,834
Total liabilities	\$ 804,830	\$ 2,908,168	\$ 2,931,025	\$ 781,973
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Assets				
Cash and cash equivalents	\$ 833,700	\$ 1,071,024	\$ 1,192,114	\$ 712,610
Miscellaneous receivables	1,376	811,834	721,195	92,015
Prepaid Items	1,600	1,805	3,200	205
Total Assets	\$ 836,676	\$ 1,884,663	\$ 1,916,509	\$ 804,830
Liabilities				
Accounts Payable	\$ 17,820	\$ 306,480	\$ 282,661	\$ 41,639
Deposits held in custody for others	818,856	2,627,341	2,683,006	763,191
Total liabilities	\$ 836,676	\$ 2,933,821	\$ 2,965,667	\$ 804,830

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ICCB STATE GRANTS FINANCIAL COMPLIANCE SECTION

Southwestern Illinois College
Community College District #522

Uniform Financial Statement No. 1 - All Funds Summary
Year Ended June 30, 2018

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund-Restricted	Bond and Interest Fund	Auxiliary Enterprises Fund	Restricted Purposes Fund	Working Cash Fund	Audit Fund	Liability, Protection Settlement Fund	Total
Fund balance (deficit), Beginning of year, July 1, 2017	\$ 13,276,767	\$ 6,454,621	\$ 4,243,484	\$ 334,895	\$ (1,789,628)	\$ 1,934,230	\$ 26,803,380	\$ 39,211	\$ 1,714,017	\$ 53,010,977
Revenues:										
Local tax revenue	15,130,722	6,150,131	3,009,281	4,345,858	-	-	-	65,335	4,261,344	32,962,671
All other local revenue	-	-	-	-	198,428	3,661,637	-	-	-	3,860,065
ICCB Grants	10,006,045	1,383,748	-	-	-	2,393,718	-	-	-	13,783,511
All other state revenue	-	-	-	-	-	26,592,542	-	-	-	26,592,542
Federal revenue	49,456	-	-	-	-	14,959,208	-	-	-	15,008,664
Student tuition and fees	29,130,767	-	-	-	-	-	-	-	-	29,130,767
All other revenue	904,509	68,477	30,763	-	774,025	745,101	343,569	-	24	2,866,468
Total revenue	55,221,499	7,602,356	3,040,044	4,345,858	972,453	48,352,206	343,569	65,335	4,261,368	124,204,688
Expenditures:										
Instruction	27,038,999	-	-	-	-	18,791,149	-	-	-	45,830,148
Academic support	1,297,072	-	-	-	-	615,466	-	-	-	1,912,538
Student services	4,625,198	-	-	-	-	15,642,209	-	-	-	20,267,407
Public service/continuing education	604,816	-	-	-	-	7,356,812	-	-	-	7,961,628
Auxiliary services	-	-	-	-	1,507,919	247,469	-	-	-	1,755,388
Operations and maintenance	-	6,166,115	-	-	-	2,496,843	-	-	1,608,718	10,271,676
Institutional support	11,151,470	341,122	1,267,313	4,324,552	-	3,200,571	-	49,000	1,403,172	21,737,200
Scholarships, student grants, and waivers	4,522,369	-	-	-	36,017	140,557	-	-	-	4,698,943
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	49,239,924	6,507,237	1,267,313	4,324,552	1,543,936	48,491,076	-	49,000	3,011,890	114,434,928
Net transfers	(1,100,923)	591,293	-	-	670,000	130,923	(291,293)	-	-	-
Fund balance (deficit): Net position - end of year	<u>\$ 18,157,419</u>	<u>\$ 8,141,033</u>	<u>\$ 6,016,215</u>	<u>\$ 356,201</u>	<u>\$ (1,691,111)</u>	<u>\$ 1,926,283</u>	<u>\$ 26,855,656</u>	<u>\$ 55,546</u>	<u>\$ 2,963,495</u>	<u>\$ 62,780,737</u>

Southwestern Illinois College
Community College District #522

Uniform Financial Statement No. 2 - Summary of Investment in Plant Fund and Debt
Year Ended June 30, 2018

	Investment in Plant Fund July 1, 2017	Additions	Deletions	Investment in Plant Fund June 30, 2018
Capital assets:				
Land	\$ 6,515,480	\$ -	\$ -	\$ 6,515,480
Site improvements	16,819,233	-	-	16,819,233
Buildings	53,529,565	-	-	53,529,565
Building Improvements	46,893,688	-	-	46,893,688
Equipment	19,171,790	320,104	(1,399,891)	18,092,003
Construction in progress	741,254	410,199	-	1,151,453
Accumulated Depreciation	73,269,541	5,164,619	(1,399,891)	77,034,269
Total capital assets, net	\$ 70,401,469	\$ (4,434,316)	\$ -	\$ 65,967,153
	July 1, 2017	Additions	Deletions	June 30, 2018
Fixed debt:				
Capital lease payable	\$ 562,002	\$ -	\$ (242,859)	\$ 319,143
Bonds payable	20,235,000	-	(3,590,000)	16,645,000
Bond premium	224,629	-	(79,431)	145,198
Total fixed liabilities	\$ 21,021,631	\$ -	\$ (3,912,290)	\$ 17,109,341

Southwestern Illinois College
Community College District #522

Uniform Financial Statement No. 3 - Operating Fund Revenues and
Expenditures
Year Ended June 30, 2018

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Operating revenue by source:			
Local government:			
Property taxes	\$ 14,449,300	\$ 6,150,131	\$ 20,599,431
CPPRT	681,422	-	681,422
	<u>15,130,722</u>	<u>6,150,131</u>	<u>21,280,853</u>
State government:			
ICCB Base Operating Grant	5,215,560	-	5,215,560
ICCB Equalization Grant	4,151,242	1,383,748	5,534,990
ICCB Career & Technical Education	633,933	-	633,933
Other ICCB Grants	5,310	-	5,310
	<u>10,006,045</u>	<u>1,383,748</u>	<u>11,389,793</u>
Federal government	<u>49,456</u>	<u>-</u>	<u>49,456</u>
Student tuition and fees:			
Tuition	24,991,170	-	24,991,170
Fees	4,139,597	-	4,139,597
	<u>29,130,767</u>	<u>-</u>	<u>29,130,767</u>
Other sources:			
Sales and service fees	268,485	-	268,485
Facilities revenue	1,650	66,218	67,868
Investment revenue	368,479	2,127	370,606
Non-Governmental Grants	265,895	131	266,026
	<u>904,509</u>	<u>68,476</u>	<u>972,985</u>
Total revenues	\$ 55,221,499	\$ 7,602,355	\$ 62,823,854
Less nonoperating item:			
Tuition chargeback revenue	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted revenues	<u>\$ 55,221,499</u>	<u>\$ 7,602,355</u>	<u>\$ 62,823,854</u>

Southwestern Illinois College
Community College District #522

Uniform Financial Statement No. 3 - Operating Fund Revenues and
Expenditures (Continued)
Year Ended June 30, 2018

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Operating expenditures by program:			
Instruction	\$ 27,038,999	\$ -	\$ 27,038,999
Academic support	1,297,072	-	1,297,072
Student services	4,625,198	-	4,625,198
Public service/continuing education	604,816	-	604,816
Operations and maintenance	-	6,166,115	6,166,115
Institutional support	11,151,470	341,122	11,492,592
Scholarships, student grants, and waivers	4,522,369	-	4,522,369
Total expenditures	49,239,924	6,507,237	55,747,161
Less nonoperating items:			
Tuition chargeback *	-	-	-
Instructional service contracts	-	-	-
Transfers	1,100,923	-	1,100,923
Adjusted expenditures	\$ 50,340,847	\$ 6,507,237	\$ 56,848,084
Operating expenditures by object:			
Salaries	\$ 32,124,666	\$ 2,986,298	\$ 35,110,964
Employee benefits	5,527,329	780,290	6,307,619
Contractual services	1,311,417	397,343	1,708,760
General materials and supplies	1,751,666	356,389	2,108,055
Conference and meeting expenses	126,029	468	126,497
Fixed charges	751,628	51,356	802,984
Utilities	8,986	1,799,785	1,808,771
Capital outlay	195,637	127,486	323,123
Other	7,442,566	7,822	7,450,388
Total expenditures	49,239,924	6,507,237	55,747,161
Less nonoperating items:			
Tuition chargeback *	-	-	-
Instructional service contracts	-	-	-
Transfers	1,100,923	-	1,100,923
Adjusted expenditures	\$ 50,340,847	\$ 6,507,237	\$ 56,848,084

* Intercollege tuition chargeback expenditures are subtracted to allow for statewide comparisons

Southwestern Illinois College
Community College District #522

Uniform Financial Statement No. 4 - Restricted Purposes Fund
Revenues and Expenditures
Year Ended June 30, 2018

Revenue by source:	
Total local government	<u>\$ 3,661,637</u>
State government:	
ICCB Adult Education	1,752,159
ICCB Other	641,559
Department of Corrections	160,003
On Behalf	29,013,065
Other	423,694
	<u>31,990,480</u>
Federal government:	
Department of Education	13,501,759
Department of Labor	115,151
Department of Health and Human Services	93,403
Other	1,248,895
	<u>14,959,208</u>
Other sources	<u>745,101</u>
Total restricted purposes fund revenues	<u>\$ 51,356,426</u>
Expenditures by program:	
Instruction	\$ 20,489,279
Academic Support	686,557
Student services	15,955,945
Public service/continuing education	7,607,173
Auxiliary Services	276,054
Operations and maintenance of plant	2,785,247
Institutional support	3,554,484
Scholarships, student grants, and waivers	140,557
Total expenditures by program	<u>\$ 51,495,296</u>
Expenditures by object:	
Salaries	\$ 5,309,016
Employee benefits	30,015,111
Contractual services	811,858
Student financial aid	12,077,706
General materials and supplies	674,728
Conference and meeting expenses	651,549
Fixed charges	453,704
Utilities	6,582
Capital outlay	689,719
Other	805,323
Total expenditures by object	<u>\$ 51,495,296</u>

Southwestern Illinois College
Community College District #522

Uniform Financial Statement No. 5 - Expenditures by Activity
Current Funds
Year Ended June 30, 2018

Instruction	\$ 45,830,148
Academic support:	
Library center	852,540
Instructional materials center	225,618
Educational media services	300,133
Academic computing support	42,316
Academic administration and planning	206,829
Other	285,102
Total academic support	1,912,538
Student services:	
Admissions and records	1,639,845
Counseling and career guidance	3,642,085
Financial aid administration	13,682,487
Other	1,302,990
Total student services	20,267,407
Public service/continuing education:	
Community education	12,682
Customized training (instructional)	1,453,371
Professional development	-
Community services	5,940,703
Other	554,872
Total public service/continuing education	7,961,628
Auxiliary services	1,755,388
Operations and maintenance of plant:	
Maintenance	1,138,665
Custodial services	3,938,226
Grounds	350,827
Campus security	2,286,503
Utilities	1,873,476
Administration	567,710
Other	116,269
Total operations and maintenance of plant	10,271,676

Southwestern Illinois College
Community College District #522

Uniform Financial Statement No. 5 - Expenditures by Activity
Current Funds (Continued)
Year Ended June 30, 2018

Institutional support:	
Executive management	\$ 804,406
Fiscal operations	1,524,376
Community relations	937,515
Administrative support services	1,178,750
Board of trustees	329,543
General institution	6,144,292
Institutional research	103,119
Administrative data processing	4,957,212
Other	166,125
Total institutional support	<u>16,145,338</u>
Scholarships, student grants and waivers	<u>4,698,943</u>
Total current funds expenditures	<u>\$ 108,843,066</u>

CERTIFICATION OF CHARGEBACK REIMBURSEMENT FOR FISCAL YEAR 2019

ALL FISCAL YEAR 2018 NONCAPITAL AUDITED OPERATING EXPENDITURES FROM THE FOLLOWING FUNDS:

1. Education Fund	<u>\$ 49,044,062</u>	
2. Operations and Maintenance Fund	<u>6,379,752</u>	
3. Public Building Commission Operations and Maintenance Fund	<u>-</u>	
4. Bond and Interest Fund	<u>4,324,551</u>	
5. Public Building Commission Rental Fund	<u>-</u>	
6. Restricted Purposes Fund	<u>27,519,387</u>	
7. Audit Fund	<u>49,001</u>	
8. Liability, Protection, and Settlement Fund	<u>2,939,681</u>	
9. Auxiliary Enterprises Fund (subsidy only)	<u>970,000</u>	
10. TOTAL NONCAPITAL EXPENDITURES (SUM OF LINES 1-9)		<u>\$ 91,226,434</u>
11. Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	<u>\$ 3,338,419</u>	
12. TOTAL COSTS INCLUDED (line 10 plus line 11)		<u>\$ 94,564,853</u>
13. Total certified semester credit hours for FY 2018	<u>177,450.50</u>	
14. PER CAPITA COST (line 12 divided by line 13)		<u>\$ 532.91</u>
15. All FY 2018 state and federal operating grants for noncapital expenditures. DO NOT INCLUDE ICCB GRANTS	<u>\$ 12,793,526</u>	
16. FY 2018 state and federal grants per semester credit hour (line 15 divided by line 13)		<u>\$ 72.10</u>
17. District's average ICCB grant rate (excluding equalization grants) for FY 2019		<u>29.55</u>
18. District's student tuition and fee rate per semester credit hour for FY 2019		<u>122.00</u>
19. Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17, and 18)		<u>\$ 309.26</u>

Approved: Melissa Roche
Chief Fiscal Officer

1/23/19
Date

Approved: [Signature]
Chief Executive Officer

1-23-19
Date

Southwestern Illinois College
Community College District #522

Combining Balance Sheet
All Fund Types
June 30, 2018

	Current Funds		Loan Funds	Plant Funds		Reconciliation	Total
	Unrestricted	Restricted		Operations and Maintenance	Investment in Plant		
ASSETS							
Cash and cash equivalents	\$ 58,923,119	\$ 1,459,449	\$ 1,068,682	\$ 7,986,241	\$ -	\$ -	\$ 69,437,491
Restricted cash	-	-	-	-	-	250,388	250,388
Receivables:							
Property taxes	32,715,732	-	5,914,167	4,042,343	-	-	42,672,242
Government Claims	399,850	3,164,447	-	-	-	-	3,564,297
Student tuition and fees	9,628,890	-	-	-	-	-	9,628,890
Other	912,839	515	-	-	-	-	913,354
Total receivables	43,657,311	3,164,962	5,914,167	4,042,343	-	-	56,778,783
Due from other funds	4,566,262	28,579	-	-	-	169,466	4,764,307
Prepaid items	659,113	13,255	-	-	-	-	672,368
Land	-	-	-	-	6,515,480	-	6,515,480
Depreciable capital assets, net of accumulated depreciation	24,916	-	-	-	58,275,304	-	58,300,220
Construction in progress	-	-	-	-	1,151,453	-	1,151,453
Total assets	107,830,721	4,666,245	6,982,849	12,028,584	65,942,237	419,854	197,870,490
Deferred Outflows of Resources							
Deferred outflows related to OPEB	-	-	-	-	-	893,275	893,275
Subsequent year's pension expense related to federal, trust, or grant contributions in the current year	-	-	-	-	-	350,665	350,665
Total deferred outflows of resources	-	-	-	-	-	1,243,940	1,243,940
Total Assets and Deferred Outflows of Resources	\$ 107,830,721	\$ 4,666,245	\$ 6,982,849	\$ 12,028,584	\$ 65,942,237	\$ 1,663,794	\$ 199,114,430
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Accounts payable	\$ 2,005,794	\$ 800,517	\$ 300	\$ 777,187	\$ -	\$ (91,906)	\$ 3,491,892
Accrued expenditures and compensated absences, current	2,916,482	113,766	44,171	-	-	227,352	3,301,771
Due to other funds	3,854,259	1,001,954	-	-	-	92,015	4,948,228
Unearned revenues							
Student tuition and fees	7,971,045	-	-	-	-	-	7,971,045
Other	180,300	823,725	-	734,932	-	-	1,738,957
Total unearned revenue	8,151,345	823,725	-	734,932	-	-	9,710,002
Compensated absences	-	-	-	-	-	536,919	536,919
Unamortized bond premium	-	-	-	-	-	145,198	145,198
Net OPEB Liability	-	-	-	-	-	32,762,356	32,762,356
Bonds contracts and leases payable	-	-	-	-	-	16,964,143	16,964,143
Total liabilities	16,927,880	2,739,962	44,471	1,512,119	-	50,636,077	71,860,509
Deferred inflows of resources							
Subsequent year's property taxes	36,420,803	-	6,582,177	4,500,250	-	-	47,503,230
Deferred inflows related to OPEB	-	-	-	-	-	2,822,146	2,822,146
Total deferred inflows of resources	36,420,803	-	6,582,177	4,500,250	-	2,822,146	50,325,376
FUND BALANCES							
Nonspendable	659,113	13,255	-	-	-	-	672,368
Investment in plant, net of related debt	24,916	-	-	-	65,942,237	(8,712,502)	57,254,651
Unassigned	53,798,009	-	-	-	-	(43,081,927)	10,716,082
Restricted	-	1,913,028	356,201	6,016,215	-	-	8,285,444
Total fund balances	54,482,038	1,926,283	356,201	6,016,215	65,942,237	(51,794,429)	76,928,545
Total liabilities deferred inflows of resources, and fund balances	\$ 107,830,721	\$ 4,666,245	\$ 6,982,849	\$ 12,028,584	\$ 65,942,237	\$ 1,663,794	\$ 199,114,430

Southwestern Illinois College
Community College District #522

Combining Schedule of Changes in Fund Balances - All Fund Types
Year Ended June 30, 2018

	Current Funds		Loan	Plant Funds		Reconciliation	Total
	Unrestricted	Restricted		Operations and Maintenance	Investment in Plant		
Revenues:							
Local government sources:							
Property taxes	\$ 24,368,585	\$ -	\$ 4,345,856	\$ 3,009,281	\$ -	\$ -	\$ 31,723,722
Corporate personal property replacement taxes	1,238,948	-	-	-	-	-	1,238,948
Other local sources	198,428	3,661,637	-	-	-	-	3,860,065
State government sources:							
ICCB state grants	11,389,793	2,393,718	-	-	-	8,775,171	22,558,682
Other state grants	-	583,697	-	-	-	127,171	710,868
Federal government	49,456	20,686,082	-	-	-	(5,634,770)	15,100,768
Student tuition and fees	29,130,767	-	-	-	-	(14,450,059)	14,680,708
Investment income	714,175	15,162	-	30,762	-	-	760,099
Auxiliary enterprise revenue	274,807	-	-	-	-	-	274,807
Facilities revenue	66,218	-	-	-	-	-	66,218
Other sources	1,035,403	708,075	-	-	-	-	1,743,478
Payments on Behalf of the District	-	29,013,065	-	-	-	-	29,013,065
Expended for capital assets	-	-	-	-	730,303	(730,303)	-
Total revenues	68,466,580	57,061,436	4,345,856	3,040,043	730,303	(11,912,790)	121,731,428
Expenditures:							
Current:							
Instruction	26,920,004	19,931,380	-	-	-	92,104	46,943,488
Academic support	1,297,072	686,557	-	-	-	-	1,983,629
Student services	4,621,838	21,638,973	-	-	-	(20,076,116)	6,184,695
Public service	604,816	7,640,392	-	-	-	-	8,245,208
Institutional support	17,034,248	3,551,983	2,700	1,106,385	-	2,722,774	24,418,090
Operations and maintenance of plant	7,673,731	2,785,247	-	-	-	-	10,458,978
Auxiliary enterprises	1,540,040	276,054	-	-	-	-	1,816,094
Depreciation	3,896	-	-	-	5,160,723	-	5,164,619
SURS contribution provided by State	-	-	-	-	-	-	-
Capital Outlay	395,332	689,720	-	160,927	-	(730,303)	515,676
Debt Service							
Principal	242,859	-	3,590,000	-	-	(3,832,859)	-
Interest	18,151	-	731,850	-	-	(10,267)	739,734
Total expenditures	60,351,987	57,200,306	4,324,550	1,267,312	5,160,723	(21,834,667)	106,470,211
Excess (deficiency) of revenues over expenditures	8,114,593	(138,870)	21,306	1,772,731	(4,430,420)	9,921,877	15,261,217
Other financing sources (uses):							
Transfers in	1,601,293	130,923	-	-	-	-	1,732,216
Transfers out	(1,732,216)	-	-	-	-	-	(1,732,216)
Bond premium amortization	-	-	-	-	-	79,431	79,431
	(130,923)	130,923	-	-	-	79,431	79,431
Excess (deficiency) of revenues over expenditures and transfers	7,983,670	(7,947)	21,306	1,772,731	(4,430,420)	10,001,308	15,340,648
Fund Balance							
Fund Balances beginning of year	46,498,368	1,934,230	334,895	4,243,484	70,372,657	(30,150,758)	93,232,876
Change in Accounting Principle	-	-	-	-	-	(31,644,979)	(31,644,979)
Fund balances (deficit) beginning of year, as restated	46,498,368	1,934,230	334,895	4,243,484	70,372,657	(61,795,737)	61,587,897
Fund balances (deficit) end of year	\$ 54,482,038	\$ 1,926,283	\$ 356,201	\$ 6,016,215	\$ 65,942,237	\$ (51,794,429)	\$ 76,928,545

Southwestern Illinois College
Community College District #522

Combining Balance Sheet - Current Unrestricted Funds
June 30, 2018

	Education	Operation and Maintenance	Auxiliary Enterprises	Working Cash	Audit	Liability, Protection, and Settlement	Total
ASSETS							
Cash and cash equivalents	\$ 21,886,623	\$ 6,792,500	\$ 26,835	\$ 26,922,852	\$ 68,814	\$ 3,225,495	\$ 58,923,119
Receivables:							
Property taxes	19,409,804	7,492,586	-	-	81,791	5,731,551	32,715,732
Government Claims	116,105	94,995	188,750	-	-	-	399,850
Student tuition and fees	9,628,890	-	-	-	-	-	9,628,890
Other	911,150	-	-	-	-	1,689	912,839
Total Receivables	30,065,949	7,587,581	188,750	-	81,791	5,733,240	43,657,311
Due from other funds	701,133	2,520,974	754,112	-	-	590,043	4,566,262
Prepaid items	450,087	146,811	42,759	-	-	19,456	659,113
Depreciable capital assets, net of depreciation	-	-	24,916	-	-	-	24,916
Total Assets	\$ 53,103,792	\$ 17,047,866	\$ 1,037,372	\$ 26,922,852	\$ 150,605	\$ 9,568,234	\$ 107,830,721
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ 1,339,599	\$ 401,765	\$ 189,956	\$ -	\$ 4,000	\$ 70,474	\$ 2,005,794
Accrued liabilities	2,557,452	163,507	42,130	-	-	153,393	2,916,482
Due to other funds	1,470,913	53	2,316,097	67,196	-	-	3,854,259
Unearned revenues:							
Student tuition and fees	7,971,045	-	-	-	-	-	7,971,045
Other	-	-	180,300	-	-	-	180,300
Total unearned revenue	7,971,045	-	180,300	-	-	-	8,151,345
Total liabilities	13,339,009	565,325	2,728,483	67,196	4,000	223,867	16,927,880
Deferred inflows of resources:							
Subsequent year's property taxes	21,607,364	8,341,508	-	-	91,059	6,380,872	36,420,803
FUND BALANCE							
Nonspendable	450,087	146,811	42,759	-	-	19,456	659,113
Investment, in plant, net of related debt	-	-	24,916	-	-	-	24,916
Unassigned	17,707,332	7,994,222	(1,758,786)	26,855,656	55,546	2,944,039	53,798,009
Total fund balance	18,157,419	8,141,033	(1,691,111)	26,855,656	55,546	2,963,495	54,482,038
Total liabilities, Deferred inflows of resources, and fund balance	\$ 53,103,792	\$ 17,047,866	\$ 1,037,372	\$ 26,922,852	\$ 150,605	\$ 9,568,234	\$ 107,830,721

Southwestern Illinois College
Community College District #522

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Current Unrestricted Funds
Year Ended June 30, 2018

	Education Fund	Operation and Maintenance Fund	Auxiliary Enterprises Fund	Working Cash Fund	Audit Fund	Liability, Protection and Settlement Fund	Total
Revenues:							
Local government sources:							
Property taxes	\$ 14,449,301	\$ 5,592,605	\$ -	\$ -	\$ 65,335	\$ 4,261,344	\$ 24,368,585
Corporate personal property replacement taxes	681,421	557,527	-	-	-	-	1,238,948
Other local government	-	-	198,428	-	-	-	198,428
State government sources:							
ICCB state grants	10,006,045	1,383,748	-	-	-	-	11,389,793
Federal government	49,456	-	-	-	-	-	49,456
Student tuition and fees	29,130,767	-	-	-	-	-	29,130,767
Investment income	368,479	2,127	-	343,569	-	-	714,175
Auxiliary enterprise revenue	-	-	274,807	-	-	-	274,807
Facilities revenue	-	66,218	-	-	-	-	66,218
Other sources	536,030	131	499,218	-	-	24	1,035,403
SURS contribution provided by State	0	-	-	-	-	-	-
Total revenues	55,221,499	7,602,356	972,453	343,569	65,335	4,261,368	68,466,580
Expenditures:							
Current:							
Instruction	26,920,004	-	-	-	-	-	26,920,004
Academic support	1,297,072	-	-	-	-	-	1,297,072
Student services	4,621,838	-	-	-	-	-	4,621,838
Public service	604,816	-	-	-	-	-	604,816
Institutional support	15,339,547	242,526	-	-	49,000	1,403,175	17,034,248
Operations and maintenance of plant	-	6,137,225	-	-	-	1,536,506	7,673,731
Auxiliary enterprises	-	-	1,540,040	-	-	-	1,540,040
Depreciation	-	-	3,896	-	-	-	3,896
SURS contribution provided by State	0	-	-	-	-	-	-
Capital Outlay	195,637	127,486	0	-	-	72,209	395,332
Debt Service							
Principal	242,859	-	-	-	-	-	242,859
Interest	18,151	-	-	-	-	-	18,151
Total expenditures	49,239,924	6,507,237	1,543,936	-	49,000	3,011,890	60,351,987
Excess (deficiency) of revenues over expenditures	5,981,575	1,095,119	(571,483)	343,569	16,335	1,249,478	8,114,593
Other financing sources (uses):							
Transfers in	-	591,293	1,010,000	-	-	-	1,601,293
Transfers out	(1,100,923)	-	(340,000)	(291,293)	-	-	(1,732,216)
	(1,100,923)	591,293	670,000	(291,293)	-	-	(130,923)
Excess (deficiency) of revenues over expenditures and other financing uses	4,880,652	1,686,412	98,517	52,276	16,335	1,249,478	7,983,670
Fund Balance							
Fund balance (deficit) beginning of year	13,276,767	6,454,621	(1,789,628)	26,803,380	39,211	1,714,017	46,498,368
Fund balances (deficit) end of year	\$ 18,157,419	\$ 8,141,033	\$ (1,691,111)	\$ 26,855,656	\$ 55,546	\$ 2,963,495	\$ 54,482,038

Southwestern Illinois College
Community College District #522

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget vs. Actual
Operating Funds (Education and Operations and Maintenance Funds)
Year Ended June 30, 2018

	Budget	Education Fund	Operation and Maintenance Fund	Total	Variance Favorable (Unfavorable)
Revenues:					
Local government sources:					
Property taxes	\$ 19,155,420	\$ 14,449,301	\$ 5,592,605	\$ 20,041,906	\$ 886,486
Tuition chargebacks	-	-	-	-	-
Corporate personal property replacement taxes	1,200,000	681,421	557,527	1,238,948	38,948
State government sources:					
ICCB state grants	11,469,007	10,006,045	1,383,748	11,389,793	(79,214)
Other State Sources	-	-	-	-	-
Federal government	35,000	49,456	-	49,456	14,456
Student tuition and fees	28,589,187	29,130,767	-	29,130,767	541,580
Investment income	75,000	368,479	2,127	370,606	295,606
Facilities revenue	45,000	-	66,218	66,218	21,218
Other sources	230,000	536,030	131	536,161	306,161
Total revenues	60,798,614	55,221,499	7,602,356	62,823,855	2,025,241
Expenditures:					
Current:					
Instruction	29,671,501	27,038,999	-	27,038,999	2,632,502
Academic support	1,536,860	1,297,072	-	1,297,072	239,788
Student services	5,222,075	4,625,198	-	4,625,198	596,877
Public service	622,456	604,816	-	604,816	17,640
Institutional support	18,081,210	15,673,839	341,122	16,014,961	2,066,249
Operations and maintenance of plant	6,954,192	-	6,166,115	6,166,115	788,077
Total expenditures	62,088,294	49,239,924	6,507,237	55,747,161	6,341,133
Excess of revenues over expenditures	(1,289,680)	5,981,575	1,095,119	7,076,694	8,366,374
Other financing sources (uses):					
Transfers in	350,000	-	591,293	591,293	241,293
Transfers out	(1,113,000)	(1,100,923)	-	(1,100,923)	12,077
	(763,000)	(1,100,923)	591,293	(509,630)	253,370
Excess (deficiency) of revenues over expenditures and other financing uses	(2,052,680)	4,880,652	1,686,412	6,567,064	8,619,744
Fund balances beginning of year	15,605,191	13,276,767	6,454,621	19,731,388	4,126,197
Fund balances end of year	\$ 13,552,511	\$ 18,157,419	\$ 8,141,033	\$ 26,298,452	\$ 12,745,941

Note: SURS contribution provided by State was excluded for purposes of this schedule. It is not a budgeted line item as the amount is determined each year by the State of Illinois.

Southwestern Illinois College
Community College District #522

Schedule of Net Position
Internal Service Fund
June 30, 2018

Assets	
Cash and cash equivalents	\$ 250,388
Receivable - Interfund	169,466
Total assets	<u>\$ 419,854</u>
Liabilities - accrued expenditures	<u>\$ 175,109</u>
Net Position	<u>244,745</u>
Total liabilities and net position	<u>\$ 419,854</u>

Southwestern Illinois College
Community College District #522

Schedule of Revenues, Expenses, and Changes in Net Position
Internal Service Fund
Year Ended June 30, 2018

Revenues:

Operating revenues

Employer paid premiums	\$ 3,036,861
Employee paid premiums	998,472
Total operating revenues	<u>4,035,333</u>

Expenses:

Operating expenses

Health claims	2,757,124
Reinsurance premiums	853,067
Contractual payments	94,084
Total operating expenses	<u>3,704,275</u>

Operating income	<u>331,058</u>
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Nonoperating revenues:

Investment income

	<u>1,814</u>
Total nonoperating revenues	<u>1,814</u>

Change in net position	332,872
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Net position - beginning of year	<u>(88,127)</u>
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Net position - end of year	<u>\$ 244,745</u>
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**SOUTHWESTERN ILLINOIS COLLEGE
COMMUNITY COLLEGE DISTRICT #522**

NOTES TO SUPPLEMENTAL INFORMATION

Basis of Presentation

Supplemental financial statements: In order to ensure observation of limitations and restrictions placed on the use of available resources, the accounts are maintained in accordance with the principles of fund accounting as promulgated by the Illinois Community College Board *Fiscal Management Manual*. Accordingly, supplemental financial information of the District is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenue, and expenditures. For reporting purposes, funds that have similar characteristics have been combined into fund groups. The various fund groups and their designated purposes are as follows:

Current Funds - The Current Funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the District and consist of the following:

Unrestricted Fund - The Unrestricted Fund accounts for the general operations of the District. All property tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating expenses, the fixed charges, and the expenditures for plant assets that are not paid from other funds.

Restricted Funds - The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by outside agencies.

Loan Fund - This subfund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Plant Funds - The Plant Funds are used to account for the transactions relating to investment in the District properties, and consist of the following self-balancing subfunds:

Operations and Maintenance: - This subfund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Investment in Plant: - This subfund is used to account for the excess of the carrying value of plant assets over the related liabilities.

Internal Service Fund - Is used to account for services provided by one fund for all of the other funds of the District on a cost reimbursement basis.



INDEPENDENT AUDITORS' REPORT ON ADULT EDUCATION AND FAMILY LITERACY GRANTS

Board of Trustees
Southwestern Illinois College
Community College District #522
Belleville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Career and Technical Education – Program Improvement Grants, and Adult Education and Family Literacy Grants of Southwestern Illinois College, Community College District #522 (the District), which comprise the balance sheet as of June 30, 2018, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Career and Technical Education – Program Improvement Grants, and Adult Education and Family Literacy Grants of Southwestern Illinois College, Community College District #522, as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the Note to the financial statements – grant programs, the financial statements of the Career and Technical Education – Program Improvement Grants, and Adult Education and Family Literacy Grants of Southwestern Illinois College, Community College District #522, are intended to present only the financial position and the changes in financial position of grant activity that is attributable to transactions of Southwestern Illinois College, Community College District #522. They do not purport to, and do not, present fairly the financial position of Southwestern Illinois College, Community College District #522 as of June 30, 2018, or the changes in its financial position for the period then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

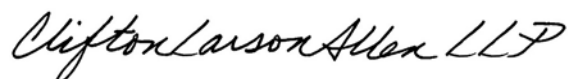
Required Supplementary Information

Management has omitted the Management Discussion and Analysis and Schedule of Proportionate Share of the Net Pension Liability and Contributions that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Career and Technical Education – Program Improvement Grants, and Adult Education and Family Literacy Grants of Southwestern Illinois College, Community College District #522 financial statements. The supplementary ICCB compliance schedule for the Adult Education and Family Literacy Grant Program (page 91) is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary ICCB compliance schedule for the Adult Education and Family Literacy Grant Program (page 91) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated, in all material respects, to the basic grant program financial statements as a whole.



CliftonLarsonAllen LLP

Belleville, Illinois
January 23, 2019

Southwestern Illinois College
Community College District #522

Adult Education and Family Literacy Grant Programs
Balance Sheet
June 30, 2018

	<u>State Basic</u>	<u>Performance</u>	Total (Memorandum Only)
ASSETS			
Cash	\$ -	\$ -	\$ -
Due from the Illinois Community College Board	<u>167,048</u>	<u>124,370</u>	<u>291,418</u>
TOTAL ASSETS	<u><u>\$ 167,048</u></u>	<u><u>\$ 124,370</u></u>	<u><u>\$ 291,418</u></u>
LIABILITIES AND FUND BALANCE			
Due to Other Programs	\$ 160,084	\$ 119,481	\$ 279,565
Accounts Payable	-	-	-
Accrued Payroll	<u>6,964</u>	<u>4,889</u>	<u>11,853</u>
TOTAL LIABILITIES	<u>167,048</u>	<u>124,370</u>	<u>291,418</u>
Fund Balance - Unreserved	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCE	<u><u>\$ 167,048</u></u>	<u><u>\$ 124,370</u></u>	<u><u>\$ 291,418</u></u>

See Note to Financial Statements- Grant Programs.

Southwestern Illinois College
Community College District #522

Adult Education and Family Literacy Grant Programs
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2018

	<u>State Basic</u>	<u>Performance</u>	<u>Total (Memorandum Only)</u>
Revenue:			
State sources	\$ 906,708	\$ 845,451	\$ 1,752,159
Total revenue	<u>\$ 906,708</u>	<u>\$ 845,451</u>	<u>\$ 1,752,159</u>
Expenditures:			
Instruction	\$ 489,637	\$ 198,653	\$ 688,290
Contractual Services	-	2,700	2,700
Direct Program Support	36,588	160,018	196,606
Student Services	60,750	268,154	328,904
Subtotal instructional and student services	<u>586,975</u>	<u>629,525</u>	<u>1,216,500</u>
Improvement of instructional services	-	-	-
General administration	-	-	-
Workforce coordination	-	-	-
Data and information services	-	-	-
Subtotal program support	<u>-</u>	<u>-</u>	<u>-</u>
Indirect Costs	12,757	18,820	31,577
Return of prior period unexpended grant funds	306,976	197,106	504,082
Total expenditures	<u>906,708</u>	<u>845,451</u>	<u>1,752,159</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:			
Beginning, July 1, 2017			-
Ending, June 30, 2018			<u>\$ -</u>

See Note to Financial Statements - Grant Programs.

Southwestern Illinois College
Community College District #522

Career and Technical Education - Program Improvement
Balance Sheet
June 30, 2018

ASSETS	\$ -
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LIABILITIES AND FUND BALANCE	\$ -
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See Note to Financial Statements- Grant Programs.

Southwestern Illinois College
Community College District #522

Career and Technical Education - Program Improvement Grant Program
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2018

Revenue:	
State sources	\$ 70,437
Total revenue	70,437
Expenditures:	
Materials and supplies	9,355
Capital Outlay	61,082
Total expenditures	70,437
Revenues over expenditures	-
Fund balance	
Beginning, July 1, 2017	-
Ending, June 30, 2018	\$ -

See Note to Financial Statements - Grant Programs.

**SOUTHWESTERN ILLINOIS COLLEGE
COMMUNITY COLLEGE DISTRICT #522**

**NOTE TO FINANCIAL STATEMENTS-GRANT PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2018**

Summary of Significant Accounting Policies

General: The accompanying statements include only those transactions resulting from the Career and Technical Education – Program Improvement and the Education & Family Literacy programs. These transactions have been accounted for in the Restricted Purposes Fund.

Basis of accounting: The statements have been prepared on the modified accrual basis of accounting. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2018. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31 are recorded as encumbrances. Unexpended funds are reflected as a reduction to fund balance and a liability due to the ICCB by October 15.

Capital assets: Capital asset purchases are recorded as capital outlay expenditures and not capitalized.

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

Credit Risk: The Board of Trustees has authorized the District to invest funds in accordance with the Illinois Community College Act and the Investment of Public Funds Act. The District's investment policy is to apply the prudent person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to conform with legal requirements, seek reasonable income, preserve capital, maintain liquidity and, in general avoid speculative investments.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's investment policy allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement, and held at an independent, third party institution in the name of the District. The District's collateralization policy is currently set at 105% of uninsured deposits. At June 30, 2018 and 2017, the District's deposits were not fully collateralized.

Concentration of Credit Risk: At June 30, 2018 and 2017, the District had greater than 5% of its overall portfolio invested in Illinois School District Liquid Asset Fund Plus Money Market. This is in accordance with the District's investment policy.

Interest Rate Risk:

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The State Treasurer maintains the Illinois Funds Money Market at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The fair value of the College's investment in the funds is the same as the value of the pool shares. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The District's investments in the Illinois Funds are not required to be categorized because these are not securities. The relationship between the District and the investment agent is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

All funds deposited in the pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provision of the Illinois Public Investment Act, 30 ILCS 235.

**SOUTHWESTERN ILLINOIS COLLEGE
COMMUNITY COLLEGE DISTRICT #522**

BACKGROUND INFORMATION ON STATE GRANTS ACTIVITY

UNRESTRICTED GRANTS

Base Operating Grants

General operating funds provided to colleges based upon credit enrollment, with a small portion of the allocation based upon gross square footage of space at the college.

Equalization Grants

Grants provided to institutions with less than the statewide average local tax dollars available per full-time equivalent student.

RESTRICTED GRANTS/SPECIAL INITIATIVES

Career and Technical Education - Program Improvement Grants

Grant funding requires 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 enhancement and academic support activities to strengthen and improve career and technical programs and services.

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 and/or high schools and for Americanization and General Education Development Review classes. Included in this grant are funds for support services, such as student transportation and child care facilities or provision.

Performance

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

SUPPLEMENTARY ICCB COMPLIANCE SCHEDULE

Southwestern Illinois College
Community College District #522

Adult Education and Family Literacy Grant Programs
Supplementary ICCB Compliance Schedule

Expenditure Amounts and Percentages for ICCB Grant Funds Only
Year Ended June 30, 2018

<u>State Basic</u>	<u>Audited Expenditure Amount</u>	<u>Actual Expenditure Percentage</u>
Instruction (45% Minimum Required)	\$ 369,878	91%
General Administration (15% Maximum Allowed)	\$ -	0%



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**INDEPENDENT ACCOUNTANTS' REPORT
ON THE SCHEDULE OF ENROLLMENT DATA
AND OTHER BASES UPON WHICH CLAIMS ARE FILED**

Board of Trustees
Southwestern Illinois College
Community College District #522
Belleville, Illinois

We have examined the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed of Southwestern Illinois College, Community College District #522 (District) for the year ended June 30, 2018. The Schedule of Enrollment Data and Other Bases upon Which Claims are Filed is the responsibility of the District's management. Our responsibility is to express an opinion on this 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, included examining, on a test basis, evidence supporting the Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed, 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 District's compliance with specified guidelines.

In our opinion, the accompanying Schedule of Enrollment Data and Other Bases upon Which Claims are Filed is fairly presented in accordance with the provisions of the aforementioned guidelines for the year ended June 30, 2018.

This report is intended solely for information and use of the District's Board of Trustees and its reporting to the Illinois Community College Board and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Belleville, Illinois
January 23, 2019

Southwestern Illinois College
Community College District #522

Schedule of Enrollment Data and Other Bases Upon Which Claims
are Filed
Year Ended June 30, 2018

(Notes 1 and 2) Categories:	Total Reimbursable Semester Credit Hours by Term						Total
	Summer		Fall		Spring		
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	
Baccalaureate	11,976.0	-	47,324.0	38.0	44,233.0	24.0	103,595.0
Business Occupational	1,575.0	2.0	5,614.0	27.0	6,446.5	14.0	13,678.5
Technical Occupational	2,213.0	510.0	11,311.0	1,656.0	12,600.5	1,819.5	30,110.0
Health Occupational	1,299.0	77.0	4,616.0	280.0	5,227.0	259.0	11,758.0
Remedial/Development	1,192.0	55.0	6,669.0	-	4,121.0	-	12,037.0
Adult Basic Education/Adult Secondary Education	-	1,020.0	-	2,740.5	-	2,511.5	6,272.0
Total credit hours certified	18,255.0	1,664.0	75,534.0	4,741.5	72,628.0	4,628.0	177,450.5

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

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

	Attending In-District	Attending Out-of-District on Chargeback or Contractual Agreement	Total
Semester credit hours (all terms)	159,295.5	4,500.0	163,795.5
	Dual Credit	Dual Enrollment	Total
Semester credit hours (all terms)	23,318.0	849.0	24,167.0
District 2016 Equalized Assessed Valuation			<u>\$6,694,636,886</u>

(Continued)

Southwestern Illinois College
Community College District #522

Schedule of Enrollment Data and Other Bases Upon Which Claims
are Filed
Year Ended June 30, 2018

RECONCILIATION OF TOTAL SEMESTER CREDIT HOURS

Categories:	Total Unrestricted Credit Hours	Total Unrestricted Credit Hours Certified to the ICCB	Difference	Total Restricted Credit Hours	Total Restricted Credit Hours Certified to the ICCB	Difference
Baccalaureate	103,533.0	103,533.0	-	62.00	62.00	-
Business Occupational	13,635.5	13,635.5	-	43.00	43.00	-
Technical Occupational	26,124.5	26,124.5	-	3,985.50	3,985.50	-
Health Occupational	11,142.0	11,142.0	-	616.00	616.00	-
Remedial/Development	11,982.0	11,982.0	-	55.00	55.00	-
Adult Basic Education/Adult Secondary Education	-	-	-	6,272.0	6,272.0	-
Total credit hours	166,417.0	166,417.0	-	11,033.5	11,033.5	-

RECONCILIATION OF IN-DISTRICT/CHARGEBACK REIMBURSABLE CREDIT HOURS

	Total Attending	Total Attending as Certified to the ICCB	Difference
Reimbursable in-district residents	159,295.5	159,295.5	-
Reimbursable out-of-district on chargeback or contractual agreement	4,500.0	4,500.0	-
Total credit hours	163,795.5	163,795.5	-

	Total Reimbursable	Total Reimbursable as Certified to the ICCB	Difference
Dual Credit	23,318.0	23,318.0	-
Dual Enrollment	849.0	849.0	-
Total credit hours	24,167.0	24,167.0	-

RESIDENCY VERIFICATION PROCESS

Residency is verified by Admissions and Records personnel or program coordinators of the College. The following items are acceptable forms of documentation:

- Automobile insurance ID card
- Automobile license registration card
- Bank statements
- Driver's license
- Federal, state, or county official documents
- Income tax forms (i.e., W-2)
- Lease agreement
- Military orders
- Occupancy permit
- Pay stub
- Real estate or property tax bill
- Utility bill or receipt
- Voter's registration card

New students and those changing from an out-of-district to an in-district address will be required to provide proof of residency.

Residency for students under age 18 shall be considered to be that of the parent or legal guardian, unless the student is self-supporting.

College personnel will verify residency visually for new students visiting Southwestern in-person and then indicate on the New Student Information Form that they attest to having reviewed documentation supporting residency and understand the impact with respect to state funding.

New students who mail, fax, or submit via our website the New Student Information form are sent a letter requesting that they submit acceptable documentation proving residency within 14 days. If they do not respond within that timeframe, their student record is restricted and they are not allowed to register until they do so.

Employees who verify residency of students after the 14-day grace period photocopy the documentation for appropriate filing in the student's permanent file.

Students are appropriately coded in our student information system for state funding purposes as follows:

A student is considered to be in-district if the student's legal residence is within the boundaries of Community College District #522 and can be established 30 days prior to the beginning date of the student's earliest class of the semester.

A student living outside District #522, who is a resident of the state of Illinois and does not attend Southwestern under the terms of a joint agreement or chargeback agreement, will be designated as an out-of-district student and will be charged the appropriate tuition.

(Continued)

RESIDENCY VERIFICATION PROCESS (Continued)

Any student who is a resident of another state or country will be considered an out-of-state student and will be charged the appropriate tuition. International students who have been issued an I-20 to attend Southwestern may not establish eligibility for in-district tuition rates.

Out-of-district and out-of-state students who receive training from and are employed at least 35 hours per week by an entity located within District #522 may qualify for in-district rates. These students must complete an appropriate Southwestern form from the Admissions and Records Office and have it completed and signed by their employee. This form must be submitted to Southwestern before the midterm date of the affected class(es).

Out-of-district students who have received chargeback tuition authorization from the community college district in which they live, will pay Southwestern in-district tuition. Students must contact the community college district in which they live for chargeback authorization at least 30 days prior to the beginning of any semester. Out-of-district students attending Southwestern without chargeback authorization will pay out-of-district tuition.

Out-of-district students who attend Southwestern Illinois College under the terms of a joint agreement between Southwestern and another community college district will pay Southwestern in-district tuition.

Students attending McKendree College, located in district with Southwestern, may attend Southwestern as an in-district student if they provide a student ID card from McKendree. The Director of Admissions from Southwestern, then verifies current enrollment status with the Registrar at McKendree College. This document becomes part of the student's Southwestern permanent file and must be provided and verified each semester he/she wishes to attend Southwestern.

Federal Financial Compliance Section



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

Board of Trustees
Southwestern Illinois College
Community College District #522
Belleville, 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 Southwestern Illinois College, Community College District #522 (the District) and its discretely presented component unit, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Southwestern Illinois College, Community College District #522's basic financial statements, and have issued our report thereon dated January 23, 2019. The financial statements of the District's component unit, Southwestern Illinois College Foundation (the Foundation) were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Southwestern Illinois College, Community College District #522'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 Southwestern Illinois College, Community College District #522's internal control. Accordingly, we do not express an opinion on the effectiveness of Southwestern Illinois College, Community College District #522's internal control.

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

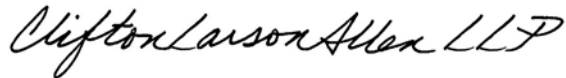
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwestern Illinois College, Community College District #522's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Belleville, Illinois
January 23, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Southwestern Illinois College
Community College District #522
Belleville, Illinois

Report on Compliance for Each Major Federal Program

We have audited Southwestern Illinois College, Community College District #522's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwestern Illinois College, Community College District #522's major federal programs for the year ended June 30, 2018. Southwestern Illinois College, Community College District #522's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southwestern Illinois College, Community College District #522'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southwestern Illinois College, Community College District #522's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southwestern Illinois College, Community College District #522's compliance.

Opinion on Each Major Federal Program

In our opinion, Southwestern Illinois College, Community College District #522's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Southwestern Illinois College, Community College District #522 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 Southwestern Illinois College, Community College District #522's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwestern Illinois College, Community College District #522'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



CliftonLarsonAllen LLP

Belleville, Illinois
January 23, 2019

**Southwestern Illinois College
Community College District #522**

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Education				
Student Financial Aid (Direct) - Cluster				
Pell Grant	84.063			\$ 11,603,622
Pell Admin Costs	84.063			18,710
Subtotal CFDA 84.063				<u>11,622,332</u>
Direct Loan Subsidized	84.268			3,760,479
Direct Loan Unsubsidized	84.268			1,657,666
Direct Loan Plus	84.268			60,994
Subtotal CFDA 84.268				<u>5,479,139</u>
Work Study	84.033			173,717
SEOG	84.007			306,641
Total Student Financial Aid Cluster				<u>17,581,829</u>
TRIO- Student Support Services	84.042			37,688
TRIO- Student Support Services	84.042			211,797
Subtotal CFDA 84.042				<u>249,485</u>
Passed-through ICCB				
Federal Adult Basic Education	84.002	F5220117		356,321
EL Civics	84.002	F5220117		53,915
Subtotal CFDA 84.002				<u>410,236</u>
Bridging the Gap	84.367	BTG52217		758
Bridging the Gap	84.367	BTG52218		2,683
Subtotal CFDA 84.367				<u>3,441</u>
Perkins	84.048	CTE52217		968,129
Subtotal				<u>1,381,806</u>
Total - Department of Education				19,213,120
Department of Labor				
Passed-Through St Clair County Intergovernmental Grants Out of School Youth-Fee for Services	17.259	202-2134-7460-TYSW12		<u>115,151</u>
Total - Department of Labor				115,151
Department of Health and Human Services				
Passed-Through Area Agency on Aging of Southwestern Illinois				
National Family Caregiver Support, Title III-E	93.052	3E Caregiver Counseling		4,517
National Family Caregiver Support, Title III-E	93.052	3E Caregiver Counseling		20,211
Subtotal CFDA 93.052				<u>24,728</u>
Alzheimer's Dementia Grant	93.051			1,176
Senior Health Insurance Program	93.324	SHIP		3,136
Subtotal				<u>29,040</u>
Total - Department of Health and Human Services				29,040

See accompanying Notes to Schedule of Expenditures of Federal Awards

**Southwestern Illinois College
Community College District #522**

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Housing & Urban Development Passed-Through St Clair County Housing Authority Service Coordination Program	14.850	IL-030	<u>65,000</u>
Total - Department of Housing & Urban Development			65,000
Corporation for National and Community Services Senior Companion Program	94.016		374,438
Foster Grandparent Program	94.011		<u>263,527</u>
Subtotal Foster Grandparent Senior Companion Cluster			637,965
Retired and Senior Volunteer Program	94.002		67,262
Retired and Senior Volunteer Program	94.002		<u>3,401</u>
Subtotal CFDA 94.002			70,663
Passed-Through Illinois Department of Public Health Americorp Program	94.006	77380004E	67,122
Americorp Program	94.006	87380004F	<u>277,097</u>
Subtotal CFDA 94.006			<u>344,219</u>
Total - Corporation for National and Community Services			1,052,847
Department of Agriculture FY16/17 Child & Adult Care Food Program	10.558		\$ 913
Summer Food Service Program	10.558		<u>3,044</u>
Subtotal CFDA 10.558			3,957
Total - Department of Agriculture			3,957
National Science Foundation Education and Human Resources	47.076		<u>\$ 149,592</u>
Total - Education and Human Resources			149,592
National Endowment for the Arts National Endowment for the Arts Grant	45.025		<u>2,500</u>
Total - National Endowment for the Arts			2,500
Federal Highway Administration On -The -Job Training/Supportive Services	20.205	EEO-0011(118)	<u>40,000</u>
Total - Department of Energy			40,000
Total Expenditures of Federal Awards			<u>\$ 20,671,207</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

Southwestern Illinois College
Community College District #522

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Southwestern Illinois College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Grant Guidance, *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. Southwestern Illinois College has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Grant Guidance.

NOTE 2 NONCASH ASSISTANCE

Southwestern Illinois College did not receive any noncash assistance through federal award programs during the year ended June 30, 2018. In addition, there was no insurance in effect during the year that came through federal sources.

NOTE 3 LOANS OUTSTANDING

The federal award program of Southwestern Illinois College had no outstanding loan balances nor was there any loan guarantees as of June 30, 2018.

NOTE 4 SUB-RECIPIENTS

All of the federal award program funds received by Southwestern Illinois College were retained by the District. There were no amounts passed to sub-recipients.

Southwestern Illinois College
Community College District #522

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. SUMMARY OF AUDIT RESULTS

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

Various

84.048

Name of Federal Program or Cluster

(1) Student Financial Aid Cluster

Perkins IV, CTE Grant

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

B. FINDINGS – FINANCIAL STATEMENT AUDIT

CURRENT YEAR

None

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

CURRENT YEAR

None

D. PRIOR YEAR FINDINGS

2017-001: Suspension and Debarment

Condition

During the Major Program Audit of the Perkins Grant Program, it was noted that certain vendors receiving more than \$25,000 had not been fully vetted for suspension or debarment.

Status: Not Repeated

Southwestern Illinois College implemented procedures to verify vendors that are not found in the SAM system are not suspended or debarred by collecting a certification from the entity or adding a clause or condition to the covered transaction with that entity.

2017-002: Lack of Written Grant-Specific Procurement Policies

Condition

During the Major Program Audit of the Perkins Grant Program it was noted that there were no written procurement policies specific to the Perkins Grant.

Status: Not Repeated

Management added written policies and internal controls for Perkins procurement.