



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

Annual Financial Report

**For the Fiscal year Ended
June 30, 2016**

ANNUAL FINANCIAL REPORT

**SOUTHWESTERN ILLINOIS COLLEGE
COMMUNITY COLLEGE DISTRICT # 522
Belleville, Illinois**

For the Fiscal Year Ended 2016

**Prepared by:
Business Office**

Bernie Ysursa, Vice President for Administrative Services and Board Treasurer



Introductory Section

TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents	i
Letter from the President	iii
Principal Officials	iv
Organizational Chart	v

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
-------------------------------------	----------

MANAGEMENT'S DISCUSSION AND ANALYSIS	4
---	----------

BASIC FINANCIAL STATEMENTS

Statements of Net Position	15
Statements of Revenues, Expenses, and Changes in Net Position	16
Statements of Cash Flows	17
Statements of Fiduciary Net Position	19
Southwestern Illinois College Foundation	
Statements of Financial Position	20
Statements of Activities	21
Notes to Financial Statements	23

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Proportionate Share of the Net Pension Liability and Contributions	56
--	----

SUPPLEMENTAL INFORMATION

Schedule of Changes in Assets and Liabilities – Fiduciary Fund	58
--	----

ICCB STATE GRANTS FINANCIAL COMPLIANCE SECTION

Uniform Financial Statement No. 1 - All Funds Summary	61
Uniform Financial Statement No. 2 - Summary of Investment in Plant Fund and Debt	62
Uniform Financial Statement No. 3 - Operating Fund Revenues and Expenditures	63
Uniform Financial Statement No. 4 - Restricted Purposes Fund Revenues and Expenditures	65
Uniform Financial Statement No. 5 - Expenditures by Activity Current Funds	66
Certificate of Chargeback Reimbursement for Fiscal Year 2016	68
Combining Balance Sheet - All Fund Types	69
Combining Schedule of Changes in Fund Balances - All Fund Types	70
Combining Balance Sheet - Current Unrestricted Funds	71
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Current Unrestricted Funds	72
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget vs. Actual Operating Funds (Education and Operations and Maintenance Funds)	73
Schedule of Net Position - Internal Service Fund	74
Schedule of Revenues, Expenses, and Changes in Net Position - Internal Service Fund	75
Notes to Supplemental Information - Basis of Presentation	76

TABLE OF CONTENTS – CONTINUED

ICCB STATE GRANTS FINANCIAL COMPLIANCE SECTION - CONTINUED

INDEPENDENT AUDITORS' REPORT ON ADULT EDUCATION AND FAMILY LITERACY GRANTS	77
--	----

Adult Education and Family Literacy Grant Program	
Adult Education and Family Literacy Grant Program - Balance Sheet	79
Adult Education and Family Literacy Grant Program - Statement of Revenues, Expenditures and Changes in Fund Balance	80

Note to Financial Statements - Grant Programs	81
Background Information on State Grant Activity	82

SUPPLEMENTAL INFORMATION	
Supplementary ICCB Compliance Schedule	84

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF ENROLLMENT DATA AND OTHER BASES UPON WHICH CLAIMS ARE FILED	85
---	----

Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed	86
Residency Verification Process	88

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 <i>GOVERNMENT AUDITING STANDARDS</i>	91
---	----

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	93
--	----

Schedule of Expenditures of Federal Awards	96
Notes to Schedule of Expenditures of Federal Awards	98
Schedule of Findings and Questioned Costs	99

THIS PAGE WAS INTENTIONALLY LEFT BLANK



October 14, 2016

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, 2016 and 2015 respectively. 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.

The year 2016 was a big one for Southwestern Illinois College. The institution celebrated its 70th birthday, received reaffirmation of its accreditation from the Higher Learning Commission, raised more than \$100,000 for student scholarships, and, as always, continued its commitment to both our students and to our fiscal responsibility.

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. We truly strive to achieve our motto of, "Rise to Serve."

For the last 70 years SWIC has prided itself on fulfilling this motto by providing an affordable, high-quality education to its students. Serving nearly 20,000 students annually, our Triple-A success formula of Accountability, Affordability and Accessibility has allowed us to continue this commitment during these difficult economic times.

As previously mentioned, 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, 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 our fiscal responsibility. We strive to maintain 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, CliftonLarsonAllen, LLP, for their contributions and assistance in preparing this report.

On behalf of everyone at Southwestern Illinois College, here's to the next 70 years!

Pay It Forward,

Georgia Costello, Ph.D.
President

Principal Officials as of June 30, 2016

Board of Trustees

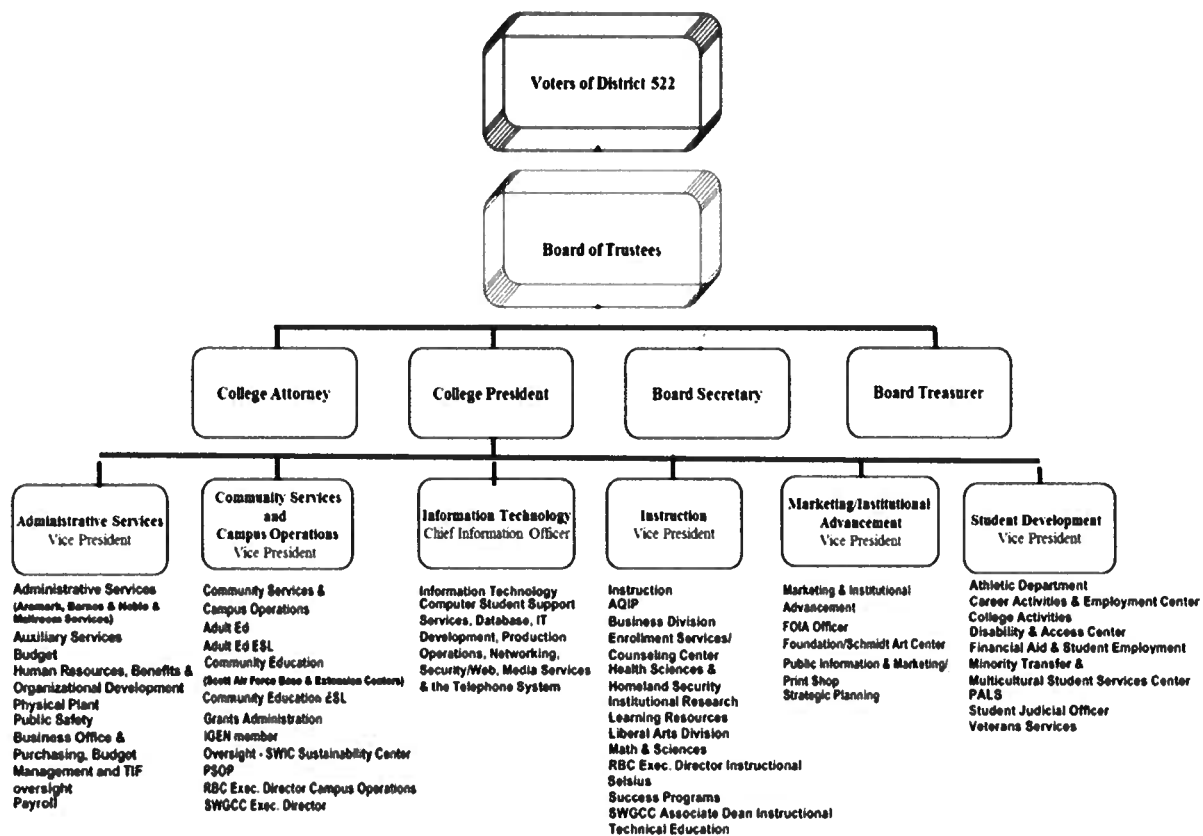
Name	Position	Term Expires
Nick Mance	Chair	2019
Richard E. Roehrkaske	Vice Chair	2019
Dr. Harry Briggs	Trustee	2019
Kenneth R. Joseph	Trustee	2017
Robert G. Morton	Trustee	2019
Philip L. Smith	Trustee	2017
Eugene Verdu	Trustee	2017
Samuel Hart Morgan	Student Trustee	2017

Officers of the College

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

Department Issuing Report

Business Office



THIS PAGE WAS INTENTIONALLY LEFT BLANK

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, 2016 and 2015, 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, 2016 and 2015, 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.

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 and the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of Contributions on page 56 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 58, the Uniform Financial Statements on pages 61 through 67, the Combining Schedules on pages 69 through 73, and the Internal Service Fund financial statements on pages 74 through 75 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 96 through 97, 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 October 14, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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.



CliftonLarsonAllen LLP

Belleville, Illinois
October 14, 2016



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, 2016 and 2015. 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 23-54). 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 \$93.6 million as of June 30, 2016. Of this amount, \$62.2 million is the net investment in capital assets, \$5.1 million is restricted, and \$26.3 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. Non-operating revenues include activities that have the characteristics of non-exchange 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 non-operating revenues and expenditures. The District's operating expenses are funded primarily through non-operating revenue. Non-operating revenue, net of non-operating expenses, for the year ended June 30, 2016, was \$74.0 million. State grants and contracts represented 4% of the total, local property taxes 37%, and federal grants and contracts 22%. Student tuition and fees comprised approximately 90% of the total operating revenues.

Total operating expenses for the year ended June 30, 2016, were \$80.3 million, excluding SURS on-behalf payments. Instruction, academic support, student services and operation and maintenance of plant represented 59% of total operating expenses, while institutional expenses were 34%, excluding SURS on-behalf payments. Depreciation and amortization, which was \$5.3 million, represented 7% of total operating expenses.

Financial Analysis of the District as a Whole

Net Position As of June 30, (in millions)

	2016	2015	Increase (Decrease) 2016-2015	2014	Increase (Decrease) 2015-2014
Current assets	\$ 106.1	\$ 105.5	\$ 0.6	\$ 104.8	\$ 0.7
Non-current assets					
Capital assets, net of depreciation	74.7	78.8	(4.1)	82.3	(3.5)
Deferred outflows	0.3	0.3	-	-	0.3
Total assets	181.1	184.6	(3.5)	187.1	(2.5)
Current liabilities	20.0	21.5	(1.5)	21.4	0.1
Non-current liabilities	21.8	15.3	6.5	18.8	(3.5)
Deferred inflows	45.7	41.4	4.3	39.3	2.1
Total liabilities and Deferred inflows	87.5	78.2	9.3	79.5	(1.3)
Net position					
Investment in capital assets	62.2	64.8	(2.6)	67.3	(2.5)
Unrestricted	26.3	37.2	(10.9)	35.0	2.2
Restricted	5.1	4.4	0.7	5.3	(0.9)
Total net position	\$ 93.6	\$ 106.4	\$ (12.8)	\$ 107.6	\$ (1.2)
Total revenue	\$ 89.9	\$ 103.3	\$ (13.4)	\$ 107.5	\$ (4.2)
Total expenses	\$ 102.7	\$ 104.8	\$ (2.1)	\$ 104.0	\$ 0.8

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, 2016, the District's net position was \$93.6 million, of which 67% represents investment in capital assets, 5% 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 28% represents unrestricted resources. The District's current assets totaled \$106.1 million, of which 45% represents cash and cash equivalents and 41% represents property taxes receivable. Total liabilities and deferred inflows of resources were \$87.5 million, of which 52% were deferred inflows of property taxes, 22% was current liabilities, and 24% was non-current liabilities.

Fiscal Year 2016 Compared to 2015

Total assets were \$181.1 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 \$4.5 million was offset by a decrease in the government claims receivable of \$4.4 million. Non-current assets decreased slightly over the prior year due to a decrease in depreciable property, building and equipment, net.

Non-Current liabilities increased in comparison with the prior year due to the issuance of \$9,990,000 in taxable Working Cash Bonds in the current year. The increase was offset by the regular payment of the Districts Bonds. Deferred inflows increased due to the increase in the subsequent year's property taxes.

Fiscal Year 2015 Compared to 2014

Total assets were \$185 million in the current year and were consistent with the prior year. Current assets increased slightly over the prior year due to an increase in property tax receivables. Non-current assets decreased slightly over the prior year due to a decrease in depreciable property, building, and equipment, net.

Non-Current liabilities decreased in comparison with the prior year due to the regular payment of the District's bonds. Deferred inflows increased slightly due to the increase in the subsequent year's property taxes.

Net Position

	2016	2015	Increase (Decrease) 2016-2015	2014	Increase (Decrease) 2015-2014
Net position					
Net invested in capital assets, net of related debt	\$ 62.2	\$ 64.8	\$ (2.6)	\$ 67.3	\$ (2.5)
Unrestricted	26.3	37.2	(10.9)	35.0	2.2
Restricted	5.1	4.4	0.7	5.3	(0.9)
Total	<u>\$ 93.6</u>	<u>\$ 106.4</u>	<u>\$ (12.8)</u>	<u>\$ 107.6</u>	<u>\$ (1.2)</u>

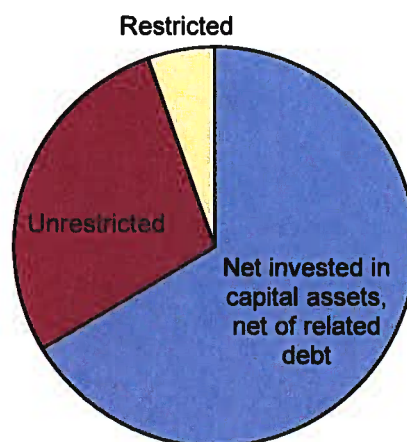
Fiscal Year 2016 Compared to 2015

The decrease in net invested in capital assets is due primarily to normal depreciation of capital assets. The decrease in unrestricted net position of 10.9 million is primarily related to the reduction in state grant funding in the current year.

Fiscal Year 2015 Compared to 2014

The decrease in net invested in capital assets is due primarily to normal depreciation of capital assets.

The following is a graph illustration of net position:



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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease) 2016-2015</u>	<u>2014</u>	<u>Increase (Decrease) 2015-2014</u>
Operating revenue					
Tuition and fees	\$ 13.6	\$ 13.2	\$ 0.4	\$ 13.0	\$ 0.2
Other	1.6	1.6	-	2.7	(1.1)
Total operating revenue	15.2	14.8	0.4	15.7	(0.9)
Less operating expenses	102.0	103.9	(1.9)	103.1	0.8
Operating (loss)	(86.8)	(89.1)	2.3	(87.4)	(1.7)
Non-operating revenue (expense)					
Property taxes	27.9	26.4	1.5	26.0	0.4
Federal grants and contracts	17.0	19.6	(2.6)	20.7	(1.1)
State grants and contracts	3.4	18.8	(15.4)	20.4	(1.6)
Other	26.5	23.7	2.8	24.8	(1.1)
Interest expense	(0.8)	(0.9)	0.1	(1.0)	0.1
	74.0	87.6	(13.6)	90.9	(3.3)
Income (loss) before contributions	(12.8)	(1.5)	(11.3)	3.5	(5.0)
Capital contributions	-	-	-	-	-
Change in net position	(12.8)	(1.5)	(11.3)	3.5	(5.0)
Net position, beginning of year	106.4	107.6	(1.2)	104.1	3.5
Change in accounting principle	-	0.3	(0.3)	-	0.3
Net position, beginning of year, as restated	106.4	107.9	(1.5)	104.1	3.8
Net position, end of year	<u>\$ 93.6</u>	<u>\$ 106.4</u>	<u>\$ (12.8)</u>	<u>\$ 107.6</u>	<u>\$ (1.2)</u>

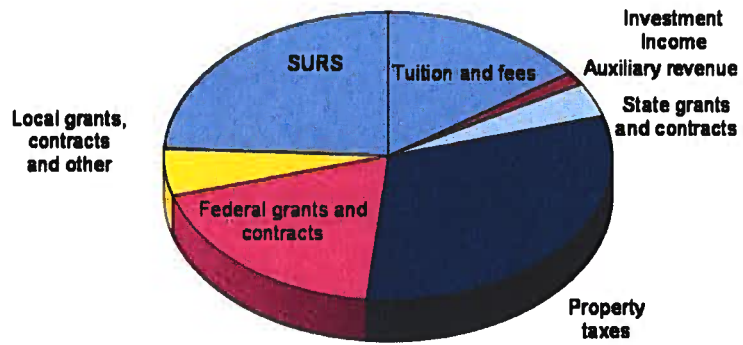
Fiscal Year 2016 Compared to 2015

Non-operating revenue decreased by \$13.6 million. This was mainly due to a decrease in State grants and contracts. State grants and contracts decreased from the prior year due to the budget impasse that occurred in the State of Illinois during the current year. The District noted an increase in other non-operating revenue due to the increase in the SURS contributions provided by the state of approximately \$2.9 million.

Fiscal Year 2015 Compared to 2014

Non-operating revenue decreased by \$3.3 million. This was mainly due to a decrease in State grants and contracts and other non-operating revenues. State grants and contracts decreased from the prior year due to the timing of DCEO funds received by IGEN, Illinois Green Economy Network. The District noted a decrease in other non-operating revenue due to the completion of the Multi-Modal Transportation project, which included the District receiving \$4.3 million in capital improvements located on the Belleville campus in the prior year. The decrease in Other Non-Operating revenue was offset by an increase in the SURS contributions provided by the state of approximately \$3 million.

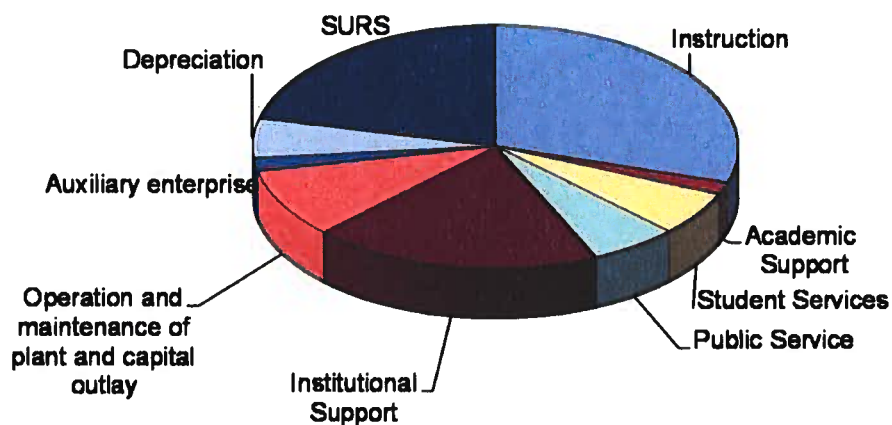
The following is a graphic illustration of revenues by source:



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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease) 2016-2015</u>	<u>2014</u>	<u>Increase (Decrease) 2015-2014</u>
Operating expenses by program					
Instruction	\$ 30.4	\$ 30.5	\$ (0.1)	\$ 31.9	\$ (1.4)
Academic support	1.7	1.9	(0.2)	1.9	-
Student services	5.9	7.9	(2.0)	8.7	(0.8)
Public service	6.0	5.8	0.2	6.7	(0.9)
Institutional support	19.9	20.6	(0.7)	18.4	2.2
Operation and maintenance of plant	9.3	11.4	(2.1)	12.3	(0.9)
Auxiliary enterprise	1.8	1.6	0.2	1.8	(0.2)
Depreciation	5.3	5.4	(0.1)	5.6	(0.2)
SURS	21.7	18.8	2.9	15.8	3.0
Total	<u>\$ 102.0</u>	<u>\$ 103.9</u>	<u>\$ (1.9)</u>	<u>\$ 103.1</u>	<u>\$ 0.8</u>

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

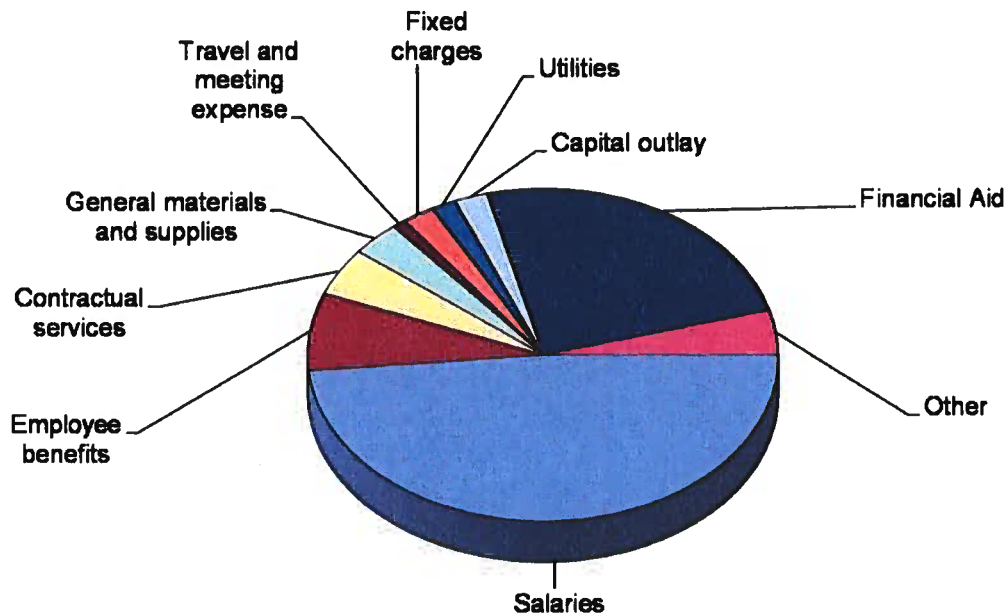


While operating expenses by program provide an important piece of financial information for managing and reporting purposes, operating expenses by object are also a valuable financial management tool. The following schedule is a summary of operating expenses by object for the Current Unrestricted and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

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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease) 2016-2015</u>	<u>2014</u>	<u>Increase (Decrease) 2015-2014</u>
Operating expenses by object					
Salaries	\$ 48.0	\$ 47.5	\$ 0.5	\$ 50.1	\$ (2.6)
Employee benefits	7.5	6.6	0.9	6.6	-
Contractual services	4.6	6.9	(2.3)	5.3	1.6
General materials and supplies	3.3	4.2	(0.9)	4.1	0.1
Travel and meeting expense	1.0	0.9	0.1	0.9	-
Fixed charges	2.1	1.6	0.5	1.9	(0.3)
Utilities	1.7	1.9	(0.2)	1.5	0.4
Capital outlay	2.2	4.2	(2.0)	2.6	1.6
Financial aid	24.3	28.8	(4.5)	37.4	(8.6)
Other	4.3	3.3	1.0	3.3	-
Total	<u>\$ 99.0</u>	<u>\$ 105.9</u>	<u>\$ (6.9)</u>	<u>\$ 113.7</u>	<u>\$ (7.8)</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 2016 Compared to 2015

The expenses in the Current Unrestricted and Restricted funds decreased \$6.9 million. In the current year, financial aid expenses decreased \$4.5 million due to a decrease in financial aid awarded to students. In addition, contractual services decreased by approximately \$2.3 million and capital outlay decreased \$2.0 million. The decreases were due to a reduction in building and maintenance projects. The decreases identified were offset by an increase in other expenses of \$1 million. Other expenses increased mainly due to an increase in bad debt expense.

Fiscal Year 2015 Compared to 2014

The expenses in the Current Unrestricted and Restricted funds decreased \$9 million due to the decrease of Financial Aid expenses of \$8.5 million, which was due to a decrease in financial aid awarded to students. Salaries decreased by approximately \$2.6 million due to attrition. The decreases were offset by an increase in contractual services of \$1.3 million and an increase in utilities expenses of \$0.4 million.

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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease) 2016-2015</u>	<u>2014</u>	<u>Increase (Decrease) 2015-2014</u>
Capital Assets					
Land	\$ 6.5	\$ 6.5	\$ -	\$ 6.5	\$ -
Construction in progress	0.8	0.7	0.1	0.8	(0.1)
Buildings	53.5	53.8	(0.3)	53.8	-
Building improvements	46.9	46.9	-	46.9	-
Land improvements	16.5	16.5	-	16.5	-
Equipment	18.6	18.7	(0.1)	16.8	1.9
Total	142.8	143.1	(0.3)	141.3	1.8
Less Accumulated Depreciation	(68.2)	(64.3)	(3.9)	(59.0)	(5.3)
Net Capital Assets	\$ 74.6	\$ 78.8	\$ (4.2)	\$ 82.3	\$ (3.5)

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

Fiscal Year 2016 Compared to 2015

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

Fiscal Year 2015 Compared to 2014

The slight increase in capital assets is due to the capitalization of the Solar Array Project, and the project to add a water meter on the Belleville campus. The remaining increase was related to the addition of several copier leases.

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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease) 2016-2015</u>	<u>2014</u>	<u>Increase (Decrease) 2015-2014</u>
Long-term debt					
Bonds and capital lease payable	<u>\$ 24.7</u>	<u>\$ 18.2</u>	<u>\$ 6.5</u>	<u>\$ 21.3</u>	<u>\$ (3.1)</u>

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

THIS PAGE WAS INTENTIONALLY LEFT BLANK



Basic Financial Statements

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

**Statements of Net Position
June 30**

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 47,685,269	\$ 46,789,179
Restricted cash	880,227	1,195,567
Receivables:		
Property taxes	43,381,976	38,928,907
Government claims	3,202,097	7,646,878
Student tuition and fees, net of allowance of \$2,727,000 in 2016 and \$2,320,000 in 2015	8,982,830	8,898,605
Other	1,384,479	1,543,444
Total receivables	56,951,382	57,017,834
Prepaid items	617,451	444,130
Total current assets	106,134,329	105,446,710
Non-current Assets		
Land	6,515,480	6,515,480
Construction-in-progress	760,006	650,837
Depreciable property, buildings and equipment, net	67,370,147	71,635,105
Total non-current assets	74,645,633	78,801,422
Deferred Outflows of Resources		
Subsequent year's pension expense related to federal, trust, or grant contributions in the current year	349,672	327,910
Total Assets and Deferred Outflows of Resources	\$ 181,129,634	\$ 184,576,042
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,547,953	\$ 4,128,113
Accrued expenses	2,343,583	2,587,950
Unearned revenues:		
Student tuition and fees	7,768,952	8,021,858
Other	1,388,317	835,846
Compensated absences, current	2,114,007	2,209,375
Bonds, capital lease and note payable, current	3,705,468	3,764,871
Total current liabilities	19,868,280	21,548,013
Non-current Liabilities		
Bonds, capital lease and note payable due in more than one year	21,021,631	14,456,800
Compensated absences due in more than one year	937,790	857,281
Total non-current liabilities	21,959,421	15,314,081
Deferred Inflows of Resources		
Subsequent year's property taxes	45,742,180	41,355,121
Total Liabilities and Deferred Inflows of Resources	87,569,881	78,217,215
Net Position		
Net investment in capital assets	62,188,414	64,841,915
Restricted for:		
Capital projects	2,492,137	1,450,218
Restricted current funds	617,451	444,130
Restricted loan funds	248,029	271,812
Grants	1,770,887	2,173,828
Unrestricted	26,242,835	37,176,924
Total net position	\$ 93,559,753	\$ 106,358,827

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,

	2016	2015
Revenues:		
Operating revenues		
Student tuition and fees, net of scholarship allowances of \$15,024,695 and \$15,872,213, respectively	\$ 13,625,039	\$ 13,211,289
Auxiliary enterprise revenue	401,180	272,935
Facilities revenue	31,311	48,181
Other operating revenue	1,152,612	1,290,948
Total operating revenues	15,210,142	14,823,353
Expenses:		
Operating expenses		
Instruction	30,392,588	30,538,901
Academic support	1,751,587	1,861,438
Student services	5,879,496	7,920,022
Public service	6,029,442	5,761,791
Institutional support	19,895,435	20,624,560
Operation and maintenance of plant and capital outlay	9,299,770	11,367,458
Auxiliary enterprise	1,782,227	1,598,128
Depreciation and amortization	5,318,013	5,460,278
SURS contribution paid by state	21,656,414	18,807,007
Total operating expenses	102,004,972	103,939,583
Operating (loss)	(86,794,830)	(89,116,230)
Non-operating revenues (expenses):		
Property taxes	27,940,456	26,407,525
Local grants and contracts	4,743,508	4,785,422
State grants and contracts	3,387,784	18,758,320
Federal grants and contracts	17,014,095	19,628,822
Investment income	77,964	47,071
Interest expense	(824,465)	(866,114)
SURS contribution provided by state	21,656,414	18,807,007
Total non-operating revenues	73,995,756	87,568,053
Income (loss) before contributions	(12,799,074)	(1,548,177)
Capital contributions	-	-
Change in net position	(12,799,074)	(1,548,177)
Net position		
Net position - beginning of year	106,358,827	107,579,094
Change in Accounting Principle	-	327,910
Net position - beginning of year, as restated	106,358,827	107,907,004
Net position - end of year	\$ 93,559,753	\$ 106,358,827

See Notes to Financial Statements.

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

**Statements of Cash Flows
Years Ended June 30**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 13,840,379	\$ 13,621,376
Payments to employees	(55,801,204)	(54,711,787)
Payments to suppliers	(21,263,809)	(26,215,150)
Auxiliary enterprise charges	401,180	272,935
Other receipts	1,342,887	2,211,244
Net cash used by operating activities	(61,480,567)	(64,821,382)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State, federal and local grants and contracts	33,977,227	45,498,120
Property taxes	23,487,387	23,993,697
Net cash provided by non-capital financing activities	57,464,614	69,491,817
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(1,210,785)	(2,069,474)
Loss on disposal of capital assets	48,561	82,491
Proceeds on bond issuance	10,162,626	-
Proceeds from capital lease issuance	203,392	731,412
Principal paid on debt and leases	(3,784,972)	(3,786,453)
Interest paid on debt and leases	(900,083)	(919,964)
Net cash provided by (used by) capital and related financing activities	4,518,739	(5,961,988)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	77,964	47,071
Net cash provided by investing activities	77,964	47,071
Net increase (decrease) in cash	580,750	(1,244,482)
Cash at beginning of year	47,984,746	49,229,228
Cash at end of year	\$ 48,565,496	\$ 47,984,746
Cash and cash equivalents	\$ 47,685,269	\$ 46,789,179
Restricted cash	880,227	1,195,567
	\$ 48,565,496	\$ 47,984,746

See Notes to Financial Statements.

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

**Statements of Cash Flows
Years Ended June 30**

	2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (86,794,830)	\$ (89,116,230)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	5,318,013	5,460,278
SURS contribution paid by the State	21,656,414	18,807,007
Changes in assets and liabilities:		
(Increase) decrease in receivables	74,740	305,120
(Increase) decrease in prepaid items	(173,321)	(38,188)
Increase (decrease) in accounts payable	(1,580,160)	(403,056)
Increase (decrease) in accrued expenditures	(244,367)	(514,492)
Increase (decrease) in unearned revenue	299,565	649,172
Increase in compensated absences	(14,859)	29,007
Increase in Deferred Outflows of Resources	(21,762)	-
Total adjustments	25,314,263	24,294,848
Net cash used by operating activities	<u>\$ (61,480,567)</u>	<u>\$ (64,821,382)</u>
Noncash, capital and related financing activities:		
SURS contribution paid by the State	<u>\$ 21,656,414</u>	<u>\$ 18,807,007</u>
Assets purchased under Capital Lease	<u>\$ 203,392</u>	<u>\$ 731,412</u>

See Notes to Financial Statements.

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

**Statements of Fiduciary Net Position
June 30**

	2016	2015
Assets		
Cash and cash equivalents	\$ 833,700	\$ 744,789
Miscellaneous receivables	1,376	1,677
Prepaid Items	1,600	-
Total assets	\$ 836,676	\$ 746,466
Liabilities		
Accounts payable	\$ 17,820	\$ 20,166
Deposits held in custody for others	818,856	726,300
Total liabilities	\$ 836,676	\$ 746,466

See Notes to Financial Statements.

Southwestern Illinois College Foundation

Statements of Financial Position
December 31,

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 855,506	\$ 297,683
Investments	6,269,276	6,534,708
Beneficial Interest in Perpetual Trust	64,221	70,232
Support/Bequest Receivable	500,400	-
Prepaid Expenses	10,000	250
Property and Equipment, Net	10,477	4,567
Art Collections	428,578	423,778
Total Assets	\$ 8,138,458	\$ 7,331,218
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,334	\$ 342,325
Total Liabilities	2,334	342,325
NET ASSETS		
Unrestricted	919,330	572,509
Temporarily Restricted:		
Life Income Fund	17,676	18,072
Specific Purposes Fund	6,697,225	5,890,408
Permanently Restricted	501,893	507,904
Total Net Assets	8,136,124	6,988,893
Total Liabilities and Net Assets	\$ 8,138,458	\$ 7,331,218

See Notes to the Financial Statements.

Southwestern Illinois College Foundation

Statement of Activities Year Ended December 31, 2015

		Temporarily Restricted		Permanently Restricted	
			Specific		
	Unrestricted	Life Income Fund	Purposes Fund	Endowment Fund	Total
SUPPORT AND REVENUES					
Gifts and Grants	\$ 15,353	\$ -	1,517,580	\$ -	\$ 1,532,933
Revenue from Fundraising Events	90,285	-	134,988	-	225,273
Less: Direct Cost of Fundraising Events	(65,315)	-	(24,139)	-	(89,454)
Net Fundraising Events	24,970	-	110,849	-	135,819
Investment Income (Loss)	7,693	417	169,645	-	177,755
Gifts-in-Kind from Southwestern Illinois College	413,630	-	-	-	413,630
Net Realized Gains (Losses) on Investments	610	(146)	14,505	-	14,969
Net Unrealized Gains (Losses) on Investments	(15,843)	(667)	(339,979)	(6,011)	(362,500)
Rental Income	-	-	1,764	-	1,764
Net Assets Released from Restrictions	667,547	-	(667,547)	-	-
Total Support and Revenues	1,113,960	(396)	806,817	(6,011)	1,914,370
EXPENSES					
Program					
Students Grants and Scholarships	228,949	-	-	-	228,949
Interest Distributions	316	-	-	-	316
Program Costs	98,291	-	-	-	98,291
Total Program Expenses	327,556	-	-	-	327,556
Support					
Management and General Costs Paid by Southwestern Illinois College	413,630	-	-	-	413,630
Investment Expense	23,067	-	-	-	23,067
Fundraising	1,455	-	-	-	1,455
Depreciation	1,431	-	-	-	1,431
Total Support Expenses	439,583	-	-	-	439,583
Total Expenses	767,139	-	-	-	767,139
CHANGE IN NET ASSETS	346,821	(396)	806,817	(6,011)	1,147,231
Net Assets - Beginning of Year	572,509	18,072	5,890,408	507,904	6,988,893
NET ASSETS - END OF YEAR	<u>\$ 919,330</u>	<u>\$ 17,676</u>	<u>\$ 6,697,225</u>	<u>\$ 501,893</u>	<u>\$ 8,136,124</u>

See Notes to the Financial Statements.

Southwestern Illinois College Foundation

Statement of Activities

Year ended December 31, 2014

		Temporarily Restricted		Permanently Restricted	
	Unrestricted	Life Income Fund	Specific Purposes Fund	Endowment Fund	Total
SUPPORT AND REVENUES					
Gifts and Grants	\$ 8,974	\$ -	257,235	\$ -	\$ 266,209
Revenue from Fundraising Events	-	-	31,726	-	31,726
Less: Direct Cost of Fundraising Events	(21,715)	-	-	-	(21,715)
Net Fundraising Events	(21,715)	-	31,726	-	10,011
Investment Income (Loss)	11,338	1,024	234,699	-	247,061
Gifts-in-Kind from Southwestern Illinois College	438,938	-	-	-	438,938
Net Realized Gains (Losses) on Investments	(5,376)	(151)	115,445	-	109,918
Net Unrealized Gains (Losses) on Investments	2,248	697	(97,722)	1,320	(93,457)
Rental Income	-	-	1,309	-	1,309
Net Assets Released from Restrictions	325,293	-	(325,293)	-	-
Total Support and Revenues	759,700	1,570	217,399	1,320	979,989
EXPENSES					
Program					
Students Grants and Scholarships	220,654	-	-	-	220,654
Interest Distributions	221	-	-	-	221
Program Costs	428,957	-	-	-	428,957
Total Program Expenses	649,832	-	-	-	649,832
Support					
Management and General Costs Paid by Southwestern Illinois College	438,938	-	-	-	438,938
Investment Expense	23,674	-	-	-	23,674
Fundraising	1,047	-	-	-	1,047
Depreciation	698	-	-	-	698
Total Support Expenses	464,357	-	-	-	464,357
Total Expenses	1,114,189	-	-	-	1,114,189
Change In Net Assets	(354,489)	1,570	217,399	1,320	(134,200)
Net Assets Beginning of Year	926,998	16,502	5,673,009	506,584	7,123,093
Net Assets End of Year	\$ 572,509	\$ 18,072	\$ 5,890,408	\$ 507,904	\$ 6,988,893

See Notes to the Financial Statements.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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).

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 non-for-profit 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 15) 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. Non-exchange 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.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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. Non-operating revenues include activities that have the characteristics of non-exchange 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 non-operating 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 \$349,672 and \$327,910 being recorded as Deferred Outflow of Resources as of June 30, 2016 and 2015, respectively.

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. The District has one type of item that occurs related to revenue recognition. This occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year.

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.

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016, the College capitalized \$25,564 of interest. During the fiscal year ended June 30, 2015, the College capitalized \$23,089 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, 2016 AND 2015**

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.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through October 14, 2016, the date the financial statements were available to be issued.

Note 2. Cash and Cash Equivalents

A. Deposits

At June 30, 2016, the District's deposits had the following balance.

Cash and Cash Equivalents	\$ 49,399,196
Less: Amounts reclassified as investments	<u>(40,035,194)</u>
Carrying amounts of deposits	<u>\$ 9,364,002</u>

At June 30, 2015, the District's deposits had the following balance.

Cash and Cash Equivalents	\$ 48,729,535
Less: Amounts reclassified as investments	<u>(38,710,462)</u>
Carrying amounts of deposits	<u>\$ 10,019,073</u>

Summary of Cash

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 47,685,269	\$ 46,789,179
Restricted Cash	880,227	1,195,567
Fiduciary cash and cash equivalents	833,700	744,789
	<u>\$ 49,399,196</u>	<u>\$ 48,729,535</u>

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 2. Cash and Cash Equivalents (Continued)

B. Investments

At June 30, 2016, the District's investment balances were as follows:

	Fair Market Value	Less Than 6 Months	6-12 Months	1-3 Years	Standard & Poor's Rating
Illinois Funds	\$ 9,786,798	\$ 9,786,798	\$ -	\$ -	AAAm
Illinois School District Liquid Asset Fund-Money Market	3,980,230	3,980,230	-	-	Not Rated
Savings Deposit Accounts	26,268,166	26,268,166	-	-	Not Rated
Total	<u>\$ 40,035,194</u>	<u>\$ 40,035,194</u>	<u>\$ -</u>	<u>\$ -</u>	

At June 30, 2015, the District's investment balances were as follows:

	Fair Market Value	Less Than 6 Months	6-12 Months	1-3 Years	Standard & Poor's Rating
Illinois Funds-Money Market	\$ 18,367,408	\$ 18,367,408	\$ -	\$ -	AAAm
Illinois School District Liquid Asset Fund-Money Market	2,186,287	2,186,287	-	-	Not Rated
Savings Deposit Accounts	18,156,767	18,156,767	-	-	Not Rated
Total	<u>\$ 38,710,462</u>	<u>\$ 38,710,462</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.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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, 2016 and 2015, the District's deposits were not fully collateralized.

Concentration of Credit Risk

At June 30, 2016 and 2015, 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
Community College District #522**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 3.Restricted Net Position – Restricted Current Funds

At June 30, 2016, the restricted for current funds net position amount consists of \$248,029 for debt service, \$1,770,887 for grant programs, and \$617,451 for prepaid items. At June 30, 2015 the restricted for current funds net position amount consists of \$271,812 for debt service, \$2,173,828 for grant programs, and \$444,130 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	
		2017	2016
Education	0.1320	0.1320	0.1318
Equity	0.1081	0.1233	0.1054
Building	0.0280	0.0280	0.0279
Tort immunity	-	0.0548	0.0590
Audit	0.0050	0.0009	0.0011
Bond and interest	-	0.0666	0.0661
Protection, health, safety	0.0500	0.0384	0.0186
Social security	-	0.0108	0.0101
		<u>0.4549</u>	<u>0.4200</u>

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 5. Changes in Capital Assets

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 6,515,480	\$ -	\$ -	\$ 6,515,480
Construction in progress	650,837	109,169	-	760,006
Total capital assets not being depreciated	<u>7,166,317</u>	<u>109,169</u>	<u>-</u>	<u>7,275,486</u>
Capital assets being depreciated:				
Buildings	53,767,897	143,333	(381,665)	53,529,565
Building Improvements	46,899,986	-	(6,298)	46,893,688
Land improvements	16,534,435	-	-	16,534,435
Equipment	18,691,220	958,283	(986,642)	18,662,861
Total capital assets being depreciated	<u>135,893,538</u>	<u>1,101,616</u>	<u>(1,374,605)</u>	<u>135,620,549</u>
Less accumulated depreciation for:				
Buildings	12,001,629	1,250,977	(381,665)	12,870,941
Building Improvements	34,620,106	2,055,491	(6,298)	36,669,299
Land improvements	4,865,280	796,416	-	5,661,696
Equipment	12,771,418	1,215,129	(938,081)	13,048,466
Total accumulated depreciation	<u>64,258,433</u>	<u>5,318,013</u>	<u>(1,326,044)</u>	<u>68,250,402</u>
Total capital assets being depreciated, net	<u>71,635,105</u>	<u>(4,216,397)</u>	<u>(48,561)</u>	<u>67,370,147</u>
Total capital assets, net	<u>\$ 78,801,422</u>	<u>\$ (4,107,228)</u>	<u>\$ (48,561)</u>	<u>\$ 74,645,633</u>

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 5. Changes in Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2015, is as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 6,515,480	\$ -	\$ -	\$ 6,515,480
Construction in progress	778,906	544,510	(672,579)	650,837
Total capital assets not being depreciated	<u>7,294,386</u>	<u>544,510</u>	<u>(672,579)</u>	<u>7,166,317</u>
Capital assets being depreciated:				
Buildings	53,767,897	-	-	53,767,897
Building Improvements	46,899,986	-	-	46,899,986
Land improvements	16,456,163	78,272	-	16,534,435
Equipment	16,820,309	2,119,271	(248,360)	18,691,220
Total capital assets being depreciated	<u>133,944,355</u>	<u>2,197,543</u>	<u>(248,360)</u>	<u>135,893,538</u>
Less accumulated depreciation for:				
Buildings	10,755,907	1,245,722	-	12,001,629
Building Improvements	32,518,671	2,101,435	-	34,620,106
Land improvements	4,060,580	804,700	-	4,865,280
Equipment	11,628,866	1,308,421	(165,869)	12,771,418
Total accumulated depreciation	<u>58,964,024</u>	<u>5,460,278</u>	<u>(165,869)</u>	<u>64,258,433</u>
Total capital assets being depreciated, net	<u>74,980,331</u>	<u>(3,262,735)</u>	<u>(82,491)</u>	<u>71,635,105</u>
Total capital assets, net	<u>\$ 82,274,717</u>	<u>\$ (2,718,225)</u>	<u>\$ (755,070)</u>	<u>\$ 78,801,422</u>

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 6. Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 as follows:

	Balance July 1, 2015	Additions	Repayments	Balance June 30, 2016	Due Within One year
Bonds, contracts and leases payable:					
Bonds payable	\$ 17,110,000	\$ 9,990,000	\$ (3,505,000)	\$ 23,595,000	\$ 3,360,000
Capital lease payable	886,294	203,392	(279,972)	809,714	247,712
Unamortized bond premium	225,377	172,626	(75,618)	322,385	97,756
	<u>18,221,671</u>	<u>10,366,018</u>	<u>(3,860,590)</u>	<u>24,727,099</u>	<u>3,705,468</u>
Total bonds, contracts and leases payable					
Other liabilities:					
Compensated absences and sick leave	3,066,656	599,443	(614,302)	3,051,797	2,114,007
Total other liabilities	<u>3,066,656</u>	<u>599,443</u>	<u>(614,302)</u>	<u>3,051,797</u>	<u>2,114,007</u>
	<u>\$ 21,288,327</u>	<u>\$ 10,965,461</u>	<u>\$ (4,474,892)</u>	<u>\$ 27,778,896</u>	<u>\$ 5,819,475</u>

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Repayments	Balance June 30, 2015	Due Within One year
Bonds, contracts and leases payable:					
Bonds payable	\$ 20,470,000	\$ -	\$ (3,360,000)	\$ 17,110,000	\$ 3,505,000
Capital lease payable	581,335	731,412	(426,453)	886,294	210,637
Unamortized bond premium	279,227	-	(53,850)	225,377	49,234
	<u>21,330,562</u>	<u>731,412</u>	<u>(3,840,303)</u>	<u>18,221,671</u>	<u>3,764,871</u>
Total bonds, contracts and leases payable					
Other liabilities:					
Compensated absences and sick leave	3,037,649	457,593	(428,586)	3,066,656	2,209,375
Total other liabilities	<u>3,037,649</u>	<u>457,593</u>	<u>(428,586)</u>	<u>3,066,656</u>	<u>2,209,375</u>
	<u>\$ 24,368,211</u>	<u>\$ 1,189,005</u>	<u>\$ (4,268,889)</u>	<u>\$ 21,288,327</u>	<u>\$ 5,974,246</u>

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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>
2017	\$ 1,850,000	\$ 297,135	\$ 2,147,135
2018	1,965,000	184,600	2,149,600
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
	<hr/>	<hr/>	<hr/>
	\$ 9,990,000	\$ 742,610	\$ 10,732,610

Series 2010: In May 2010, the Board approved a \$10,000,000 taxable Working Cash Bond Issue, dated July 1, 2010. The proceeds of the bonds are being used to increase the District's Working Cash Fund, which is needed as a result of delayed State of Illinois Operating Grant payments. Serial retirement of principal and interest began on December 1, 2011, with interest payable semiannually at 1.5% - 3.3%. Maturity date was December 1, 2015.

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>
2017	\$ 1,510,000	\$ 625,625	\$ 2,135,625
2018	1,625,000	547,250	2,172,250
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 - 2023	4,650,000	224,437	4,874,437
	<hr/>	<hr/>	<hr/>
	\$ 13,605,000	\$ 2,499,312	\$ 16,104,312

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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, 2016 was \$436,967 and the net book value of the equipment under lease was \$766,486.

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 247,712	\$ 29,108	\$ 276,820
2018	242,859	18,151	261,010
2019	204,928	8,344	213,272
2020	114,215	1,560	113,446
	<u>\$ 809,714</u>	<u>\$ 57,163</u>	<u>\$ 864,548</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, 2016 and 2015, the District received \$348,077 and \$332,379, 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, 2016 and 2015 was \$286,214 and \$379,261, 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, 2016 AND 2015**

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, 2016:

	Salaries and Benefits	Contractual Services	Supplies	Travel and Meeting	Fixed Charges	Utilities	Capital Outlay	Other	TOTAL
Instruction	\$ 27,555,726	\$ 721,706	\$ 1,566,904	\$ 295,654	\$ 25,980	\$ 1,447	\$ -	\$ 225,171	\$ 30,392,588
Academic support	1,534,216	10,576	80,722	3,387	122,686	-	-	-	1,751,587
Student services	6,825,582	224,748	163,391	39,638	8,310	313	-	(1,382,486)	5,879,496
Public service	4,436,038	842,762	206,408	349,304	401,804	8,354	-	(215,228)	6,029,442
Institutional support	9,051,696	1,876,835	755,892	80,994	1,211,544	11,971	-	6,906,503	19,895,435
Operation and maintenance of plant and capital outlay	5,468,958	385,431	563,004	30,106	2,367	1,664,386	1,185,518	-	9,299,770
Auxiliary enterprise	669,762	638,115	(38,403)	195,475	281,899	648	-	34,731	1,782,227
Depreciation and amortization	-	-	-	-	-	-	-	5,318,013	5,318,013
SURS contribution by state	-	-	-	-	-	-	-	21,656,414	21,656,414
	\$ 55,541,978	\$ 4,700,173	\$ 3,297,918	\$ 994,558	\$ 2,054,590	\$ 1,687,119	\$ 1,185,518	\$ 32,543,118	\$ 102,004,972

The following table provides information related to operating expenses by functional classification for the year ended June 30, 2015:

	Salaries and Benefits	Contractual Services	Supplies	Travel and Meeting	Fixed Charges	Utilities	Capital Outlay	Other	TOTAL
Instruction	\$ 27,089,332	\$ 811,090	\$ 2,116,873	\$ 321,295	\$ 7,893	\$ 2,172	\$ -	\$ 190,246	\$ 30,538,901
Academic support	1,518,149	10,551	180,320	3,165	149,253	-	-	-	1,861,438
Student services	6,786,052	333,476	231,309	47,294	6,500	548	-	514,843	7,920,022
Public service	4,298,917	544,382	306,794	237,958	77,330	8,878	-	287,532	5,761,791
Institutional support	8,701,847	4,998,897	799,976	131,725	1,143,609	15,080	-	4,833,426	20,624,560
Operation and maintenance of plant and capital outlay	5,296,922	375,451	644,646	16,435	1,724	1,880,973	3,151,356	(48)	11,367,458
Auxiliary enterprise	535,083	690,512	(59,265)	176,251	227,388	541	-	27,618	1,598,128
Depreciation and amortization	-	-	-	-	-	-	-	5,460,278	5,460,278
SURS contribution by state	-	-	-	-	-	-	-	18,807,007	18,807,007
	\$ 54,226,302	\$ 7,764,359	\$ 4,220,652	\$ 934,123	\$ 1,613,697	\$ 1,908,192	\$ 3,151,356	\$ 30,120,903	\$ 103,939,583

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, 2016 and 2015, employees had earned but not taken annual vacation leave which, at salary rates in effect at the end of the year, totaled \$1,749,226 and \$1,912,927, 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, 2016 and 2015, to be \$1,302,571 and \$1,153,729, respectively, using the termination payment method. Of such amounts, the District estimated that \$364,781 and \$296,448 at June 30, 2016 and 2015, respectively, would be paid in the next fiscal year.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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, 2015 can be found in the System's comprehensive annual financial report (CAFR) Notes to the Financial Statements.

Contributions: The State of Illinois is primarily responsible for funding the System on behalf of the individual employers at an actuarially determined amount. Public Act 88-0593 provides a Statutory Funding Plan consisting of two parts: (i) a ramp-up period from 1996 to 2010 and (ii) a period of contributions equal to a level percentage of the payroll of active members of the System to reach 90% of the total Actuarial Accrued Liability by the end of Fiscal Year 2045. Employer contributions from "trust, federal, and other funds" are provided under Section 15-155(b) of the Illinois Pension Code and require employers to pay contributions that are sufficient to cover the accruing normal costs on behalf of applicable employees. The employer normal cost for fiscal year 2015 and 2016 respectively, was 11.71% and 12.69% of employee payroll. The normal cost is equal to the value of current year's pension benefit and does not include any allocation for the past unfunded liability or interest on the unfunded liability. Plan members are required to contribute 8.0% of their annual covered salary. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly.

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

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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

At June 30, 2015, SURS reported a net pension liability (NPL) of \$23,756,361,087. The net pension liability was measured as of June 30, 2014. At June 30, 2014, SURS reported a net pension liability (NPL) of \$21,790,983,139, which was measured as of June 30, 2013

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 \$257,936,876 or 1.0858% and \$248,326,776 or 1.1396% as of June 30, 2015 and 2014, respectively. This amount should not be recognized in the financial statement. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension used to calculate the net pension liability was determined based on the June 30, 2014 and 2013, 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 2015 and 2014, respectively.

Pension Expense

At June 30, 2015 and 2014, SURS reported a collective net pension expense of \$1,994,587,170 and \$1,650,338,263.

Employer Proportionate Share of Pension Expense

The employer proportionate share of collective pension expense should be recognized similarly to on behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2015 and 2014. As a result, the District recognized on-behalf revenue and pension expense of \$21,656,414 and \$18,807,007 for the fiscal years ended June 30, 2016 and 2015.

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

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

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 27,312,043	\$ -
Changes in Assumptions	609,393,909	-
Net difference between projected and actual earnings on pension plan investments	593,840,642	953,329,464
Total	\$ 1,230,546,594	\$ 953,329,464

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 10. Defined Benefit Pension Plans (Continued)

Employer Deferral of Pension Expense

Employer paid \$349,672 in federal, trust or grant contributions for the fiscal year ended June 30, 2016. These contributions were made subsequent to the pension liability measurement date of June 30, 2015 and are recognized as Deferred Outflows of Resources as of June 30, 2016.

Employer paid \$327,910 in federal, trust or grant contributions for the fiscal year ended June 30, 2015. These contributions were made subsequent to the pension liability measurement date of June 30, 2014 and are recognized as Deferred Outflows of Resources as of June 30, 2015.

Assumptions and Other Inputs

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23%	5.77%
Private Equity	6%	9.23%
Non-U.S. Equity	19%	6.69%
Global Equity	8%	6.51%
Fixed Income	19%	1.12%
Treasury-Inflation Protected Securities	4%	1.22%
Emerging Market Debt	3%	4.61%
REITS	4%	5.85%
Real Estate	6%	4.37%
Commodities	2%	4.06%
Hedged Strategies	5%	3.99%
Opportunity Fund	1%	6.80%
Total	100%	5.02%
Inflation		3.00%
Expected Arithmetic Return		8.02%

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 10. Defined Benefit Pension Plans (Continued)

Discount Rate. A single discount rate of 7.120% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 3.80% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2072. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2072, and the municipal bond rate was applied to all benefit payments after that date.

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

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

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

Note 11. On-Behalf Payments for Fringe Benefits and Salaries

Employer contributions made by the State of Illinois to the State Universities Retirement System of Illinois on behalf of the employees of the District are recorded as revenues and expenditures in the Education Fund as required by Governmental Accounting Standard Board Statement 24. The amount recorded as such on-behalf payments for the fiscal years ended June 30, 2016 and 2015 was \$21,656,414 and \$18,807,007, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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,

	2016	2015
Property	\$190,376,026	\$190,376,026
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, 2016 and 2015, there have been no claims exceeding the Self-Insured Retention amount of \$450,000 for regular employees.

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. The District maintains a comprehensive self-insurance plan through a third-party administrator. Under this program, the Fund provides 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 purchases commercial insurance for claims in excess of coverage provided by the Fund. For the years ended June 30, 2016, 2015, and 2014, 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, 2016 and 2015, 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.

	2016	2015	2014
Reserve for health care costs at July 1	\$1,118,165	\$1,105,475	\$1,038,618
Claims incurred during the period	5,227,175	5,106,290	4,434,848
Changes in the estimate	67,196	59,739	258,887
Payments on claims	(5,444,501)	(5,153,339)	(4,626,878)
Reserve for health care costs at June 30	\$968,035	\$1,118,165	\$1,105,475

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.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

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 2016 and 2015 for asbestos remediation was \$0 and \$5,339, 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 2016 and 2015, the District paid approximately \$350,000 and \$325,000 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, 2016:

GASB Statement No. 72, Fair Value Measurement and Application, issued February 2015 is effective for the fiscal year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements and provide guidance for determining a fair value measurement for financial reporting purposes. As the District maintains limited investments which act as cash and cash equivalents, this pronouncement had limited effect to the financial reporting and disclosure of fair value measurement of certain of the District's assets and liabilities at June 30, 2016.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain provisions of GASB Statements 67 and 68, issued June 2015 is effective for the fiscal year ending June 30, 2016 and did not impact the District as it maintains a plan within the scope of GASB Nos. 67 and 68.

The District has adopted the following statements during the year ended June 30, 2015:

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, issued June 2012, will be effective for the College beginning with its year ending June 30, 2015. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 replaces the requirements of Statement No. 27, Accounting for Pension by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefits pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, Government Combinations and Disposals of Government Operations, issued January 2013, is effective for the fiscal year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combination includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This pronouncement had no impact to the District at June 30 2015.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 14. New Government Accounting Standards (Continued)

GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68, issued November 2013, will be effective upon the implementation of GASB Statement No. 68, beginning with the year ending June 30, 2015. This Statement amends GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

As of June 30, 2015, the Governmental Accounting Standards Board (GASB) has issued statements that will require consideration and implementation by the College as follows:

GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued June 2015, applies to OPEB plans that administer benefits on behalf of governments through trusts that meet the GASB's specified criteria. It replaces GASB Statement No. 43 and requires more extensive note disclosures and required supplementary information (RSI) for both defined benefit and defined contribution OPEB plans. The provisions of Statement No. 74 are effective for plan fiscal years beginning after June 15, 2016 (District's June 30, 2017 fiscal year).

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, issued June 2015, applies to governments that provide OPEB to their employees or finance OPEB for employees of other governments. It replaces GASB Statement No. 45 and requires governments to report a liability on the face of their financial statements for the OPEB provided. In addition, it requires governments in all types of OPEB plans to provide more extensive note disclosures and RSI about OPEB liabilities. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017 (District's June 30, 2018 fiscal year). The effect of this statement to the District is not yet determined.

Note 15. Discretely Presented Component Unit

The December 31, 2015 and 2014 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 was organized in 1975 as a not-for-profit 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.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 15. Discretely Presented Component Unit (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include time deposits and 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. The Foundation also classifies brokered certificates of deposit as investments.

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.

Support/Bequest Receivable

Management believes bequest 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) if the items were contributed. 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 non-cash donations are recorded as gifts at their estimated fair values at the date of donation.

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 15. Discretely Presented Component Unit (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts and Grants (Continued)

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.

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.

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 15. Discretely Presented Component Unit (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Materials, Facilities and Services (Continued)

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.

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, 2015 and 2014.

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. The tax returns for the years 2012 to 2014 are open to examination by federal and state authorities.

INVESTMENTS

The cost and fair value of investments as of December 31, 2015, are as follows:

	2015	
	Cost	Fair Value
Certificates of Deposits	\$ -	\$ -
U.S. Treasury Securities	1,273,437	1,254,791
Government and Corporate Debt Securities	923,651	915,420
Fixed Income Mutual Funds	642,890	630,665
Equity Mutual Funds	2,567,982	2,373,247
Common Stocks	1,097,139	1,095,153
Total	<u>\$ 6,505,099</u>	<u>\$ 6,269,276</u>

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 15. Discretely Presented Component Unit (Continued)

INVESTMENTS (CONTINUED)

The cost and fair value of investments as of December 31, 2014, are as follows:

	2014	
	Cost	Fair Value
Certificates of Deposits	\$ 450,000	\$ 445,591
U.S. Treasury Securities	132,579	131,595
Government and Corporate Debt Securities	1,668,367	1,666,029
Fixed Income Mutual Funds	628,948	614,578
Equity Mutual Funds	2,202,392	2,127,077
Common Stocks	1,337,879	1,549,838
	<u>\$ 6,420,165</u>	<u>\$ 6,534,708</u>

Fair value of investments and cash and cash equivalents held for Endowment are \$560,347 and \$576,823 at December 31, 2015 and 2014, 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.

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 15. 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, 2015 and 2014:

December 31, 2015				
	Fair Value	Level 1	Level 2	Level 3
Certificates of Deposits	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Securities	1,254,791	-	1,254,791	-
Government and Corporate Debt Securities	915,420	-	915,420	-
Fixed Income Mutual Funds	630,665	630,665	-	-
Equity Mutual Funds	2,373,247	2,373,247	-	-
Common Stocks	1,095,153	1,095,153	-	-
Total Investments	6,269,276	4,099,065	2,170,211	-
Beneficial Interest in Perpetual Trust	64,221	-	-	64,221
Total	\$ 6,333,497	\$ 4,099,065	\$ 2,170,211	\$ 64,221

December 31, 2014				
	Fair Value	Level 1	Level 2	Level 3
Certificates of Deposits	\$ 445,591	\$ -	\$ 445,591	\$ -
U.S. Treasury Securities	131,595	-	131,595	-
Government and Corporate Debt Securities	1,666,029	-	1,666,029	-
Fixed Income Mutual Funds	614,578	614,578	-	-
Equity Mutual Funds	2,127,077	2,127,077	-	-
Common Stocks	1,549,838	1,549,838	-	-
Total Investments	6,534,708	4,291,493	2,243,215	-
Beneficial Interest in Perpetual Trust	70,232	-	-	70,232
Total	\$ 6,604,940	\$ 4,291,493	\$ 2,243,215	\$ 70,232

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

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

Note 15. 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, 2015 and 2014:

	Beneficial Interest In Perpetual Trust	
	2015	2014
Balance as of January 1	\$ 70,232	\$ 68,912
Increase (Decrease) in Value of Beneficial Interest	(6,011)	1,320
Balance as of December 31	<u>\$ 64,221</u>	<u>\$ 70,232</u>

PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	2015	2014
Property and Equipment	\$ 25,207	\$ 17,866
Less: Accumulated Depreciation	14,730	13,299
Total	<u>\$ 10,477</u>	<u>\$ 4,567</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 \$413,630 and \$438,938 for the years ended December 31, 2015 and 2014, respectively.

CONCENTRATION OF CREDIT RISK

During the years ended December 31, 2015 and 2014, 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
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 15. Discretely Presented Component Unit (Continued)

BOARD DESIGNATED NET ASSETS

The Foundation's Board of Directors designated unrestricted net assets as of December 31, 2015 and 2014 for the following purposes:

	2015	2014
Enhancement Grants	\$ 20,000	\$ 25,000
Total	<u>\$ 20,000</u>	<u>\$ 25,000</u>

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available as of December 31, 2015 and 2014 are restricted to the following purposes or periods.

	2015	2014
Scholarships	\$ 5,100,615	\$ 4,822,626
Academic Expenses	1,041,474	927,687
Capital Improvements	555,136	140,095
Life Income Fund	17,676	18,072
Total	<u>\$ 6,714,901</u>	<u>\$ 5,908,480</u>

PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$501,893 and \$507,904 as of December 31, 2015 and 2014, 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, 2015 and 2014 are comprised of the following:

	2015	2014
Capital Improvements	\$ 12,912	\$ 38,473
Scholarships & Grants	228,949	220,654
Academic Expenses	425,686	66,166
Total	<u>\$ 667,547</u>	<u>\$ 325,293</u>

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 15. 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, 2015 and 2014, 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.

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 15. Discretely Presented Component Unit (Continued)

ENDOWMENTS (CONTINUED)

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 average rate of return of approximately 9 percent annually. Actual returns in any given year may vary from this amount.

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, 2015 and 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>2015</u>				
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 122,675</u>	<u>\$ 437,672</u>	<u>\$ 560,347</u>
<u>2014</u>				
Donor-Restricted Endowment Funds	<u>\$ -</u>	<u>\$ 139,151</u>	<u>\$ 437,672</u>	<u>\$ 576,823</u>

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 15. Discretely Presented Component Unit (Continued)

ENDOWMENTS (CONTINUED)

Change in Endowment Net Assets for the Year Ended December 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of Year	\$ -	\$ 139,151	\$ 437,672	\$ 576,823
Investment Return:				
Investment Income	-	3,401	-	3,401
Net Appreciation (Realized and Unrealized)	-	(6,526)	-	(6,526)
Total Investment Return	-	(3,125)	-	(3,125)
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(13,351)	-	(13,351)
End of Year	\$ -	\$ 122,675	\$ 437,672	\$ 560,347

Change in Endowment Net Assets for the Year Ended December 31, 2014:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of Year	\$ -	\$ 140,578	\$ 437,672	\$ 578,250
Investment Return:				
Investment Income	-	4,714	-	4,714
Net Appreciation (Realized and Unrealized)	-	365	-	365
Total Investment Return	-	5,079	-	5,079
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(6,506)	-	(6,506)
End of Year	\$ -	\$ 139,151	\$ 437,672	\$ 576,823

Southwestern Illinois College
Community College District #522

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Note 15. 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,	
	2015	2014
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UMIFA	\$ 437,672	\$ 437,672
Total Endowment Funds Classified as Permanently Restricted Net Assets	<u>\$ 437,672</u>	<u>\$ 437,672</u>
Temporarily Restricted Net Assets		
Term endowment funds	\$ 34,919	\$ 39,609
The portion of perpetual endowment funds subject to a time restriction under UMIFA:		
Without purpose restrictions	-	-
With purpose restrictions	87,756	99,542
Total Endowment Funds Classified as Temporarily Restricted Net Assets	<u>\$ 122,675</u>	<u>\$ 139,151</u>

REQUIRED SUPPLEMENTAL INFORMATION

Southwestern Illinois College
Community College District #522

Required Supplementary Information for the Year Ended June 30, 2015 and 2014

Schedule of the Districts Proportionate Share of the Net Pension Liability		FY 2015	FY 2014
District's Percentage of the Collective Net Pension Liability		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		\$ 257,936,876	\$ 248,326,776
Total		<u>\$ 257,936,876</u>	<u>\$ 248,326,776</u>
Employer Covered-Employee Payroll		\$ 38,702,135	\$ 39,693,600
Proportion of Collective Net Pension Liability associated with the District as a percentage of covered employee payroll		666.47%	625.61%
SURS Plan Net Position as a Percentage of Total Pension Liability		42.37%	44.39%
Schedule of Contributions			
Federal, Trust, Grant and Other Contribution		FY 2015	FY 2014
		\$ 349,672	\$ 327,910
Contribution in relation to required contribution		\$ (349,672)	\$ (327,910)
Contribution deficiency(excess)		<u>\$ -</u>	<u>\$ -</u>
Employer Covered-Employee Payroll		\$ 38,702,135	\$ 39,693,600
Contributions as a percentage of covered employee payroll		0.90%	0.83%
Additional Information			
On-Behalf Payments for Community College Health Insurance Program	FY 2014	FY 2015	FY 2016
	\$ 155,681.99	\$ 153,386.35	\$ 158,365.30

**Notes to Required Supplementary Information
For the Year Ended June 30, 2016**

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

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

SUPPLEMENTAL INFORMATION

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

**Schedule of Changes in Assets and Liabilities – Fiduciary Fund
Year Ended June 30, 2016 and 2015**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Cash and cash equivalents	\$ 744,789	\$ 1,033,721	\$ 944,810	\$ 833,700
Miscellaneous receivables	1,677	682,734	683,035	1,376
Prepaid Items	-	1,600	-	1,600
Total Assets	\$ 746,466	\$ 1,718,055	\$ 1,627,845	\$ 836,676

Liabilities				
Accounts Payable	\$ 20,166	\$ 905,395	\$ 907,741	\$ 17,820
Deposits held in custody for others	726,300	1,187,179	1,094,623	818,856
Total liabilities	\$ 746,466	\$ 2,092,574	\$ 2,002,364	\$ 836,676

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Assets				
Cash and cash equivalents	\$ 709,102	\$ 956,962	\$ 921,275	\$ 744,789
Miscellaneous receivables	6,200	631,854	636,377	1,677
Prepaid Items	900	-	900	-
Total Assets	\$ 716,202	\$ 1,588,816	\$ 1,558,552	\$ 746,466

Liabilities				
Accounts Payable	\$ 45,741	\$ 1,559,534	\$ 1,585,109	\$ 20,166
Deposits held in custody for others	670,461	381,267	325,428	726,300
Total liabilities	\$ 716,202	\$ 1,940,801	\$ 1,910,537	\$ 746,466

THIS PAGE WAS INTENTIONALLY LEFT BLANK

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, 2016

	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, 2015	\$ 21,558,792	\$ 6,324,032	\$ 1,450,218	\$ 271,812	\$ (1,287,881)	\$ 2,183,640	\$ 16,639,977	\$ (11,593)	\$ (493,323)	\$ 46,635,674
Revenues:										
Local tax revenue	13,874,842	5,208,157	1,210,034	4,376,965	-	-	-	71,103	4,562,037	29,303,138
All other local revenue	-	-	-	-	133,685	3,247,141	-	-	-	3,380,826
ICCB Grants	1,631,861	32,500	-	-	-	819,248	-	-	-	2,483,609
All other state revenue	-	-	-	-	-	904,175	-	-	-	904,175
Federal revenue	53,551	-	-	-	-	16,960,544	-	-	-	17,014,095
Student tuition and fees	28,649,734	-	-	-	-	-	-	-	-	28,649,734
All other revenue	494,479	31,454	1,983	-	739,551	257,306	10,190,266	-	184	11,715,223
Total revenue	44,704,467	5,272,111	1,212,017	4,376,965	873,235	22,188,414	10,190,266	71,103	4,562,221	93,450,799
Expenditures:										
Instruction	28,475,697	-	-	-	-	2,468,796	-	-	-	30,944,493
Academic support	1,756,178	-	-	-	-	-	-	-	-	1,756,178
Student services	6,412,433	-	-	-	-	931,991	-	-	-	7,344,424
Public services/continuing education	1,275,852	-	-	-	-	4,736,494	-	-	-	6,012,346
Auxiliary services	-	-	-	-	1,751,016	-	-	-	-	1,751,016
Operations and maintenance	-	6,329,654	-	-	-	220	-	-	1,930,536	8,260,410
Institutional support	14,827,978	1,481,332	170,099	162,852	-	755,103	-	41,746	1,460,372	18,899,481
Scholarships, student grants and waivers	2,566,511	-	-	-	34,483	13,819,016	-	-	-	16,420,010
Debt service:										
Principal	-	-	-	3,505,000	-	-	-	-	-	3,505,000
Interest	-	-	-	732,895	-	-	-	-	-	732,895
Total expenditures	55,314,649	7,810,985	170,099	4,400,748	1,785,498	22,711,620	-	41,746	3,390,908	95,626,252
Net transfers	(1,086,282)	457,704	-	-	526,409	120,132	(27,618)	-	-	(9,655)
Fund balance (deficit):										
Net position - end of year	\$ 9,862,328	\$ 4,242,862	\$ 2,492,137	\$ 248,029	\$ (1,673,735)	\$ 1,780,566	\$ 26,802,625	\$ 17,764	\$ 677,990	\$ 44,450,566

Southwestern Illinois College
Community College District #522

Uniform Financial Statement No. 2 - Summary of Investment in Plant Fund and Debt
Year Ended June 30, 2016

	<u>Investment in Plant Fund July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Investment in Plant Fund June 30, 2016</u>
Capital assets:				
Land	\$ 6,515,480	\$ -	\$ -	\$ 6,515,480
Site improvements	16,534,435	-	-	16,534,435
Buildings	53,767,897	143,333	(381,665)	53,529,565
Building Improvements	46,899,986	-	(6,298)	46,893,688
Equipment	18,691,220	958,283	(986,642)	18,662,861
Construction in progress	650,837	109,169	-	760,006
Total capital assets	\$ 143,059,855	\$ 1,210,785	\$ (1,374,605)	\$ 142,896,035
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Fixed debt:				
Capital lease payable	\$ 886,294	\$ 203,392	\$ (279,972)	\$ 809,714
Bonds payable	17,110,000	9,990,000	(3,505,000)	23,595,000
Bond premium	225,377	172,626	(75,618)	322,385
Total fixed liabilities	\$ 18,221,671	\$ 10,366,018	\$ (3,860,590)	\$ 24,727,099

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

**Uniform Financial Statement No. 3 - Operating Fund Revenues and
Expenditures
Year Ended June 30, 2016**

	<u>Education Fund</u>	<u>Operations and Maintenance Fund</u>	<u>Total Operating Funds</u>
Operating revenue by source:			
Local government:			
Property taxes	\$ 13,125,367	\$ 4,594,950	\$ 17,720,317
Chargeback revenue	-	-	-
CPPRT	749,475	613,207	1,362,682
	<u>13,874,842</u>	<u>5,208,157</u>	<u>19,082,999</u>
State government:			
ICCB credit hour grants	1,614,361	-	1,614,361
ICCB equalization grants	17,500	32,500	50,000
ICCB square footage grant	-	-	-
ICCB East St. Louis Community College Center	-	-	-
ICCB - Career and Technical Education	-	-	-
	<u>1,631,861</u>	<u>32,500</u>	<u>1,664,361</u>
Federal government	<u>53,551</u>	<u>-</u>	<u>53,551</u>
Student tuition and fees:			
Tuition	25,461,197	-	25,461,197
Fees	3,188,537	-	3,188,537
	<u>28,649,734</u>	<u>-</u>	<u>28,649,734</u>
Other sources:			
Sales and service fees	329,513	-	329,513
Facilities revenue	436	30,875	31,311
Investment revenue	45,231	579	45,810
Other	119,299	-	119,299
	<u>494,479</u>	<u>31,454</u>	<u>525,933</u>
Total revenues	\$ 44,704,467	\$ 5,272,111	\$ 49,976,578
Less nonoperating item:			
Tuition chargeback revenue	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted revenues	\$ 44,704,467	\$ 5,272,111	\$ 49,976,578

Southwestern Illinois College
Community College District #522

Uniform Financial Statement No. 3 - Operating Fund Revenues and
Expenditures (Continued)
Year Ended June 30, 2016

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Operating expenditures by program:			
Instruction	\$ 28,493,470	\$ -	\$ 28,493,470
Academic support	1,760,378	-	1,760,378
Student services	6,436,856	-	6,436,856
Public service/continuing education	1,284,361	-	1,284,361
Auxiliary services	-	-	-
Operations and maintenance	-	6,329,653	6,329,653
Institutional support	15,862,342	1,481,331	17,343,673
Scholarships, student grants, and waivers	2,566,511	-	2,566,511
Total expenditures	56,403,918	7,810,985	64,214,903
Less nonoperating items:			
Tuition chargeback *	(1,450,100)	-	(1,450,100)
Instructional service contracts	(180,725)	-	(180,725)
Transfers	(1,086,282)	457,704	(628,578)
Adjusted expenditures	\$ 53,686,811	\$ 8,268,689	\$ 61,955,500
Operating expenditures by object:			
Salaries	\$ 37,991,587	\$ 3,210,979	\$ 41,202,566
Employee benefits	4,839,396	638,807	5,478,203
Contractual services	1,799,679	668,033	2,467,712
General materials and supplies	2,152,644	532,297	2,684,941
Conference and meeting expenses	257,520	977	258,497
Fixed charges	717,373	63,176	780,549
Utilities	14,974	1,660,178	1,675,152
Capital outlay	978,246	928,754	1,907,001
Other	7,652,500	107,781	7,760,281
Total expenditures	56,403,918	7,810,985	64,214,903
Less nonoperating items:			
Tuition chargeback *	(1,450,100)	-	(1,450,100)
Instructional service contracts	(180,725)	-	(180,725)
Transfers	(1,086,282)	457,704	(628,578)
Adjusted expenditures	\$ 53,686,811	\$ 8,268,689	\$ 61,955,500

* 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, 2016**

Revenue by source:

Total local government	\$ 3,247,141
State government:	
ICCB Workforce Development Grants	-
ICCB Adult Education	706,199
ICCB Program Improvement Grant	-
ICCB Student Success Grant	-
ICCB Other	113,049
Other	904,175
	<u>1,723,423</u>
Federal government:	
Department of Education	15,461,728
Department of Labor	343,449
Department of Health and Human Services	92,504
Other	1,062,863
	<u>16,960,544</u>
Other sources	<u>257,306</u>
Total restricted purposes fund revenues	<u>\$ 22,188,414</u>

Expenditures by program:

Instruction	\$ 2,468,796
Student services	931,991
Public service/continuing education	4,736,494
Operations and maintenance of plant	220
Institutional support	755,103
Scholarships, student grants, and waivers	13,819,016
Total expenditures by program	<u>\$ 22,711,620</u>

Expenditures by object:

Salaries	\$ 4,842,226
Employee benefits	862,443
Contractual services	1,322,297
Student financial aid	13,819,016
General materials and supplies	548,706
Conference and meeting expenses	511,309
Fixed charges	399,439
Utilities	6,491
Capital outlay	214,006
Other	185,687
Total expenditures by object	<u>\$ 22,711,620</u>

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

**Uniform Financial Statement No. 5 - Expenditures by Activity
Current Funds
Year Ended June 30, 2016**

Instruction	\$ 30,941,618
Academic support:	
Library center	690,899
Instructional materials center	280,251
Educational media services	262,560
Academic computing support	59,294
Academic administration and planning	236,769
Other	226,403
Total academic support	1,756,178
Student services:	
Admissions and records	1,330,373
Counseling and career guidance	3,390,314
Financial aid administration	1,262,639
Other	1,356,480
Total student services	7,339,806
Public service/continuing education:	
Community education	36,428
Customized training (instructional)	1,335,308
Professional development	-
Community services	4,206,346
Other	434,264
Total public service/continuing education	6,012,346
Auxiliary services	1,751,017
Operations and maintenance of plant:	
Maintenance	973,414
Custodial services	2,857,978
Grounds	281,766
Campus security	1,930,756
Utilities	1,763,139
Administration	453,356
Total operations and maintenance of plant	8,260,409

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

**Uniform Financial Statement No. 5 - Expenditures by Activity
Current Funds (Continued)
Year Ended June 30, 2016**

Institutional support:	
Executive management	\$ 783,371
Fiscal operations	1,165,865
Community relations	1,469,728
Administrative support services	894,449
Board of trustees	338,804
General institution	8,738,921
Institutional research	250,463
Administrative data processing	4,169,824
Other	710,571
Total institutional support	<u>18,521,996</u>
Scholarships, student grants and waivers	<u>16,427,498</u>
Total current funds expenditures	<u><u>\$ 91,010,868</u></u>

Southwestern Illinois College
Community College District #522

CERTIFICATION OF CHARGEBACK REIMBURSEMENT FOR FISCAL YEAR 2017

ALL FISCAL YEAR 2016 NONCAPITAL AUDITED OPERATING
EXPENDITURES FROM THE FOLLOWING FUNDS:

1. Education Fund	\$ 54,336,403	
2. Operations and Maintenance Fund	6,882,231	
3. Public Building Commission Operations and Maintenance Fund	-	
4. Bond and Interest Fund	4,400,748	
5. Public Building Commission Rental Fund	-	
6. Restricted Purposes Fund	30,476,384	
7. Audit Fund	41,746	
8. Liability, Protection, and Settlement Fund	3,285,814	
9. Auxiliary Enterprises Fund (subsidy only)	920,000	
10. TOTAL NONCAPITAL EXPENDITURES (SUM OF LINES 1-9)		\$ 100,343,326
11. Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	\$ 3,857,023	
12. TOTAL COSTS INCLUDED (line 10 plus line 11)		\$ 104,200,349
13. Total certified semester credit hours for FY 2016	199,205.20	
14. PER CAPITA COST (line 12 divided by line 13)		\$ 523.08
15. All FY 2016 state and federal operating grants for noncapital expenditures. DO NOT INCLUDE ICCB GRANTS		
16. FY 2016 state and federal grants per semester credit hour (line 15 divided by line 13)		\$ -
17. District's average ICCB grant rate (excluding equalization grants) for FY 2017		
18. District's student tuition and fee rate per semester credit hour for FY 2017		114.00
19. Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17, and 18)		

Approved: Bernie J. Jurek
Chief Fiscal Officer

10-13-16
Date

Approved: George Costello PhD
Chief Executive Officer

10.13.16
Date

Southwestern Illinois College
Community College District #522

Combining Balance Sheet
All Fund Types
June 30, 2016

	Current Funds		Loan Funds	Plant Funds		Reconciliation	Total
	Unrestricted	Restricted		Operations and Maintenance	Investment in Plant		
ASSETS							
Cash and cash equivalents	\$ 41,471,640	1,909,855	795,459	3,508,315	\$ -	\$ -	\$ 47,685,269
Restricted cash	-	-	-	-	-	880,227	880,227
Receivables:							
Property taxes	33,548,110	-	6,264,206	3,569,660	-	-	43,381,976
Government Claims	434,099	2,767,998	-	-	-	-	3,202,097
Student tuition and fees	8,982,830	-	-	-	-	-	8,982,830
Other	1,335,599	14,373	-	-	-	34,507	1,384,479
Total receivables	44,300,638	2,782,371	6,264,206	3,569,660	-	34,507	56,951,382
Due from other funds	4,805,809	111,802	1	-	-	-	4,917,612
Prepaid items	607,772	9,679	-	-	-	-	617,451
Land	-	-	-	-	6,515,480	-	6,515,480
Depreciable capital assets, net of accumulated depreciation	29,338	-	-	-	67,340,809	-	67,370,147
Construction in progress	-	-	-	-	760,006	-	760,006
Total assets	91,215,197	4,813,707	7,059,666	7,077,975	74,616,295	914,734	185,697,574
Deferred Outflows of Resources							
Subsequent year's pension expense related to federal, trust, or grant contributions in the current year						349,672	349,672
Total Assets and Deferred Outflows of Resources	\$ 91,215,197	\$ 4,813,707	\$ 7,059,666	\$ 7,077,975	\$ 74,616,295	\$ 1,264,406	\$ 186,047,246
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Accounts payable	\$ 2,307,683	238,376	\$ 300	1,594	\$ -	\$ -	\$ 2,547,953
Accrued expenditures and compensated absences, current	3,194,386	117,470	44,171	-	-	1,101,563	4,457,590
Due to other funds	2,630,784	2,033,572	161,701	86,493	-	5,062	4,917,612
Unearned revenues							
Student tuition and fees	7,768,952	-	-	-	-	-	7,768,952
Other	9,662	643,723	-	734,932	-	-	1,388,317
Total unearned revenue	7,778,614	643,723	-	734,932	-	-	9,157,269
Compensated absences	-	-	-	-	-	937,790	937,790
Unamortized bond premium	-	-	-	-	-	322,385	322,385
Bonds contracts and leases payable	-	-	-	-	-	24,404,714	24,404,714
Total liabilities	15,911,467	3,033,141	206,172	823,019	-	26,771,514	46,745,313
Deferred inflows of resources							
Subsequent year's property taxes	35,373,896	-	6,605,465	3,762,819	-	-	45,742,180
FUND BALANCES							
Nonspendable	607,772	9,679	-	-	-	-	617,451
Investment in plant, net of related debt	29,338	-	-	-	74,616,295	(12,457,219)	62,188,414
Unassigned	39,292,724	-	-	-	-	(13,049,889)	26,242,835
Restricted	-	1,770,887	248,029	2,492,137	-	-	4,511,053
Total fund balances	39,929,834	1,780,566	248,029	2,492,137	74,616,295	(25,507,108)	93,559,753
Total liabilities deferred inflows of resources, and fund balances	\$ 91,215,197	\$ 4,813,707	\$ 7,059,666	\$ 7,077,975	\$ 74,616,295	\$ 1,264,406	\$ 186,047,246

Southwestern Illinois College
Community College District #522

Combining Schedule of Changes in Fund Balances - All Fund Types
Year Ended June 30, 2016

	Current Funds		Loan	Plant Funds		Reconciliation	Total
	Unrestricted	Restricted		Operations and Maintenance	Investment in Plant		
Revenues:							
Local government sources:							
Property taxes	\$ 22,353,457	\$ -	\$ 4,376,965	\$ 1,210,034	\$ -	\$ -	\$ 27,940,456
Tuition chargebacks	-	-	-	-	-	-	-
Corporate personal property replacement taxes	1,362,682	-	-	-	-	-	1,362,682
Other local sources	133,685	3,247,141	-	-	-	-	3,380,826
State government sources:							
ICCB state grants	1,664,361	819,248	-	-	-	-	2,483,609
Other state grants	-	904,175	-	-	-	-	904,175
Federal government	53,551	24,870,796	-	-	-	(7,910,252)	17,014,095
Student tuition and fees	28,649,734	-	-	-	-	(15,024,695)	13,625,039
Investment income	73,450	2,531	-	1,983	-	-	77,964
Auxiliary enterprise revenue	401,180	-	-	-	-	-	401,180
Facilities revenue	31,311	-	-	-	-	-	31,311
Other sources	787,366	255,121	-	-	-	34,507	1,076,994
SURS contribution provided by State	21,656,414	-	-	-	-	-	21,656,414
Expended for capital assets	-	-	-	-	1,161,769	(1,161,769)	-
Total revenues	77,167,191	30,099,012	4,376,965	1,212,017	1,161,769	(24,062,209)	88,954,745
Expenditures:							
Current							
Instruction	27,904,858	2,477,730	-	-	-	10,000	30,392,588
Academic support	1,751,587	-	-	-	-	-	1,751,587
Student services	6,394,562	22,419,881	-	-	-	(22,934,947)	5,879,496
Public service	1,274,509	4,754,933	-	-	-	-	6,029,442
Institutional support	18,792,410	755,103	162,853	77,705	20,591	(100,828)	19,707,834
Operations and maintenance of plant	8,116,114	220	-	-	-	-	8,116,334
Auxiliary enterprises	1,782,227	-	-	-	-	-	1,782,227
Depreciation	2,124	-	-	-	5,315,889	-	5,318,013
SURS contribution provided by State	21,656,414	-	-	-	-	-	21,656,414
Capital Outlay	2,013,241	214,006	-	92,394	-	(1,136,205)	1,183,436
Debt Service							
Principal	264,181	-	3,505,000	-	-	(3,784,972)	(15,791)
Interest	47,973	-	732,895	-	-	43,597	824,465
Total expenditures	90,000,200	30,621,873	4,400,748	170,099	5,336,480	(27,903,355)	102,626,045
Excess (deficiency) of revenues over expenditures	(12,833,009)	(522,861)	(23,783)	1,041,918	(4,174,711)	3,841,146	(12,671,300)
Other financing sources (uses):							
Transfers in	1,387,103	188,304	-	-	-	10,000	1,585,407
Transfers out	(1,516,890)	(68,517)	-	-	-	-	(1,585,407)
Debt proceeds	10,162,626	-	-	-	-	(10,366,018)	(203,392)
Bond premium amortization	-	-	-	-	-	75,618	75,618
Contributions of fixed assets	-	-	-	-	-	-	-
	10,032,839	119,787	-	-	-	(10,280,400)	(127,774)
Excess (deficiency) of revenues over expenditures and transfers	(2,800,170)	(403,074)	(23,783)	1,041,918	(4,174,711)	(6,439,254)	(12,799,074)
Fund Balance							
Fund balances (deficit) beginning of year	42,730,004	2,183,640	271,812	1,450,219	78,791,006	(19,067,854)	106,358,827
Fund balances (deficit) end of year	\$ 39,929,834	\$ 1,780,566	\$ 248,029	\$ 2,492,137	\$ 74,616,295	\$ (25,507,108)	\$ 93,559,753

Southwestern Illinois College
Community College District #522

Combining Balance Sheet - Current Unrestricted Funds
June 30, 2016

	Education	Operation and Maintenance	Auxiliary Enterprises	Working Cash	Audit	Liability, Protection, and Settlement	Total
ASSETS							
Cash and cash equivalents	\$ 10,732,821	\$ 3,209,848	\$ 10,018	\$ 26,175,181	\$ 32,783	\$ 1,310,989	\$ 41,471,640
Receivables:							
Property taxes	19,700,622	7,560,350	-	-	91,250	6,195,888	33,548,110
Government Claims	134,942	110,407	188,750	-	-	-	434,099
Student tuition and fees	8,982,830	-	-	-	-	-	8,982,830
Other	1,235,106	357	100,136	-	-	-	1,335,599
Total Receivables	30,053,500	7,671,114	288,886	-	91,250	6,195,888	44,300,638
Due from other funds	2,292,295	1,858,451	-	655,063	-	-	4,805,809
Prepaid items	562,439	19,376	2,533	-	-	23,424	607,772
Depreciable capital assets, net of depreciation	-	-	29,338	-	-	-	29,338
Total Assets	\$ 43,641,055	\$ 12,758,789	\$ 330,775	\$ 26,830,244	\$ 124,033	\$ 7,530,301	\$ 91,215,197
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ 1,742,910	\$ 336,410	\$ 103,651	\$ -	\$ 10,000	\$ 114,712	\$ 2,307,683
Accrued liabilities	2,727,074	205,101	61,188	-	-	201,023	3,194,386
Due to other funds	761,803	53	1,839,371	27,619	-	1,938	2,630,784
Unearned revenues:							
Student tuition and fees	7,768,952	-	-	-	-	-	7,768,952
Other	9,362	-	300	-	-	-	9,662
Total unearned revenue	7,778,314	-	300	-	-	-	7,778,614
Total liabilities	13,010,101	541,564	2,004,510	27,619	10,000	317,673	15,911,467
Deferred inflows of resources:							
Subsequent year's property taxes	20,768,626	7,974,363	-	-	96,269	6,534,638	35,373,896
FUND BALANCE							
Nonspendable	562,439	19,376	2,533	-	-	23,424	607,772
Investment, in plant, net of related debt	-	-	29,338	-	-	-	29,338
Unassigned	9,299,889	4,223,486	(1,705,606)	26,802,625	17,764	654,566	39,292,724
Total fund balance	9,862,328	4,242,862	(1,673,735)	26,802,625	17,764	677,990	39,929,834
Total liabilities, Deferred inflows of resources, and fund balance	\$ 43,641,055	\$ 12,758,789	\$ 330,775	\$ 26,830,244	\$ 124,033	\$ 7,530,301	\$ 91,215,197

Southwestern Illinois College
Community College District #522

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Current Unrestricted Funds
Year Ended June 30, 2016

	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	\$ 13,125,367	\$ 4,594,950	\$ -	\$ -	\$ 71,103	\$ 4,562,037	\$ 22,353,457
Tuition chargebacks	-	-	-	-	-	-	-
Corporate personal property replacement taxes	749,475	613,207	-	-	-	-	1,362,682
Other local government	-	-	133,685	-	-	-	133,685
State government sources:							
ICCB state grants	1,631,861	32,500	-	-	-	-	1,664,361
Other state grants	-	-	-	-	-	-	-
Federal government	53,551	-	-	-	-	-	53,551
Student tuition and fees	28,649,734	-	-	-	-	-	28,649,734
Investment income	45,231	579	-	27,640	-	-	73,450
Auxiliary enterprise revenue	-	-	401,180	-	-	-	401,180
Facilities revenue	436	30,875	-	-	-	-	31,311
Other sources	448,812	0	338,370	-	-	184	787,366
SURS contribution provided by State	21,656,414	-	-	-	-	-	21,656,414
Total revenues	66,360,881	5,272,111	873,235	27,640	71,103	4,562,221	77,167,191
Expenditures:							
Current							
Instruction	27,904,858	-	-	-	-	-	27,904,858
Academic support	1,751,587	-	-	-	-	-	1,751,587
Student services	6,394,562	-	-	-	-	-	6,394,562
Public service	1,274,509	-	-	-	-	-	1,274,509
Institutional support	16,698,733	591,560	-	-	41,746	1,460,371	18,792,410
Operations and maintenance of plant	-	6,290,671	-	-	-	1,825,443	8,116,114
Auxiliary enterprises	-	-	1,782,227	-	-	-	1,782,227
Depreciation	-	-	2,124	-	-	-	2,124
SURS contribution provided by State	21,656,414	-	-	-	-	-	21,656,414
Capital Outlay	978,246	928,754	1,147	-	-	105,094	2,013,241
Debt Service							
Principal	264,181	-	-	-	-	-	264,181
Interest	47,973	-	-	-	-	-	47,973
Total expenditures	76,971,063	7,810,985	1,785,498	-	41,746	3,390,908	90,000,200
Excess (deficiency) of revenues over expenditures	(10,610,182)	(2,538,874)	(912,263)	27,640	29,357	1,171,313	(12,833,009)
Other financing sources (uses):							
Transfers in	2,990	457,704	926,409	-	-	-	1,387,103
Transfers out	(1,089,272)	-	(400,000)	(27,618)	-	-	(1,516,890)
Debt proceeds	-	-	-	10,162,626	-	-	10,162,626
	(1,086,282)	457,704	526,409	10,135,008	-	-	10,032,839
Excess (deficiency) of revenues over expenditures and other financing uses	(11,696,464)	(2,081,170)	(385,854)	10,162,648	29,357	1,171,313	(2,800,170)
Fund Balance							
Fund balance (deficit) beginning of year	21,558,792	6,324,032	(1,287,881)	16,639,977	(11,593)	(493,323)	42,730,004
Fund balances (deficit) end of year	\$ 9,862,328	\$ 4,242,862	\$ (1,673,735)	\$ 26,802,625	\$ 17,764	\$ 677,990	\$ 39,929,834

**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, 2016**

	Budget	Education Fund	Operation and Maintenance Fund	Total	Variance Favorable (Unfavorable)
Revenues:					
Local government sources:					
Property taxes	\$ 17,684,765	\$ 13,125,367	\$ 4,594,950	\$ 17,720,317	\$ 35,552
Tuition chargebacks	-	-	-	-	-
Corporate personal property replacement taxes	1,400,000	749,475	613,207	1,362,682	(37,318)
State government sources:					
ICCB state grants	14,117,859	1,631,861	32,500	1,664,361	(12,453,498)
Other State Sources	-	-	-	-	-
Federal government	35,000	53,551	-	53,551	18,551
Student tuition and fees	31,878,854	28,649,734	-	28,649,734	(3,229,120)
Investment income	45,000	45,231	579	45,810	810
Facilities revenue	46,000	436	30,875	31,311	(14,689)
Other sources	665,000	448,812	-	448,812	(216,188)
Total revenues	65,872,478	44,704,467	5,272,111	49,976,578	(15,895,900)
Expenditures:					
Current:					
Instruction	33,312,974	28,475,696	-	28,475,696	4,837,278
Academic support	2,059,397	1,756,178	-	1,756,178	303,219
Student services	7,184,465	6,412,433	-	6,412,433	772,032
Public service	1,339,040	1,275,852	-	1,275,852	63,188
Institutional support	17,388,657	17,394,490	1,481,331	18,875,821	(1,487,164)
Operations and maintenance of plant	7,554,260	-	6,329,654	6,329,654	1,224,606
Total expenditures	68,838,793	55,314,649	7,810,985	63,125,634	5,713,159
Excess of revenues over expenditures	(2,966,315)	(10,610,182)	(2,538,874)	(13,149,056)	(10,182,741)
Other financing sources (uses):					
Transfers in	450,000	2,990	457,704	460,694	10,694
Transfers out	(718,000)	(1,089,272)	-	(1,089,272)	(371,272)
	(268,000)	(1,086,282)	457,704	(628,578)	(360,578)
Excess (deficiency) of revenues over expenditures and other financing uses	(3,234,315)	(11,696,464)	(2,081,170)	(13,777,634)	(10,543,319)
Fund balances beginning of year	23,537,467	21,558,792	6,324,032	27,882,824	
Fund balances end of year	\$ 20,303,152	\$ 9,862,328	\$ 4,242,862	\$ 14,105,190	\$ (6,197,962)

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, 2016**

Assets	
Cash and cash equivalents	\$ 880,227
Other receivable	<u>34,507</u>
Total assets	<u>\$ 914,734</u>
Liabilities - accrued expenditures	
	<u>\$ 968,035</u>
Net Position	<u>(53,301)</u>
Total liabilities and net position	<u>\$ 914,734</u>

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

**Schedule of Revenues, Expenses, and Changes in Net Position
Internal Service Fund
Year Ended June 30, 2016**

Revenues:

Operating revenues

Employer paid premiums	\$ 5,114,499
Employee paid premiums	1,717,173
Total operating revenues	<u>6,831,672</u>

Expenses:

Operating expenses

Health claims	5,936,522
Reinsurance premiums	844,426
Contractual payments	179,526
Total operating expenses	<u>6,960,474</u>

Operating income	<u>(128,802)</u>
------------------	------------------

Non-operating revenues:

Investment income	36
Total non-operating revenues	<u>36</u>

Change in net position	(128,766)
------------------------	-----------

Net position - beginning of year	<u>75,465</u>
----------------------------------	---------------

Net position - end of year	<u>\$ (53,301)</u>
----------------------------	--------------------

**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 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, 2016, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the grant policy guidelines of the Illinois Community College Board's Fiscal Management Manual. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Adult Education and Family Literacy Grants of Southwestern Illinois College, Community College District #522, as of June 30, 2016, 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 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, 2016, 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 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 79) 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 79) 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

CliftonLarsonAllen LLP

Belleville, Illinois
October 14, 2016

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

**Adult Education and Family Literacy Grant Programs
Balance Sheet
June 30, 2016**

	<u>State Basic</u>	<u>Performance</u>	<u>Total (Memorandum Only)</u>
ASSETS			
Cash	\$ -	\$ -	\$ -
Due from the Illinois Community College Board	356,928	349,271	706,199
TOTAL ASSETS	<u>\$ 356,928</u>	<u>\$ 349,271</u>	<u>\$ 706,199</u>
LIABILITIES AND FUND BALANCE			
Due to Other Programs	\$ 350,384	\$ 345,440	\$ 695,824
Accounts Payable	43	1,076	1,119
Accrued Payroll	6,501	2,755	9,256
TOTAL LIABILITIES	<u>356,928</u>	<u>349,271</u>	<u>706,199</u>
Fund Balance - Unreserved	-	-	-
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCE	<u>\$ 356,928</u>	<u>\$ 349,271</u>	<u>\$ 706,199</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, 2016

	<u>State Basic</u>	<u>Performance</u>	<u>Total (Memorandum Only)</u>
Revenue:			
State sources	\$ 356,928	\$ 349,271	\$ 706,199
Total revenue	\$ 356,928	\$ 349,271	\$ 706,199
Expenditures:			
Instruction	\$ 326,271	\$ 77,149	\$ 403,420
Literacy Services	-	34,798	34,798
Student Transportation Services	39	276	315
Guidance services	7,644	105,555	113,199
Assessment and testing	1,037	-	1,037
Subtotal instructional and student services	334,991	217,778	552,769
Improvement of instructional services	1,067	8,656	9,723
General administration	-	38,964	38,964
Workforce coordination	7,972	65,733	73,705
Data and information services	12,898	18,140	31,038
Subtotal program support	21,937	131,493	153,430
Return of prior period unexpended grant funds	-	-	-
Total expenditures	356,928	349,271	706,199
Revenues over (under) expenditures	\$ -	\$ -	\$ -
Fund balance:			
Beginning, July 1, 2015			-
Ending, June 30, 2016			\$ -

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, 2016**

Summary of Significant Accounting Policies

General: The accompanying statements include only those transactions resulting from the Adult 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, 2016. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31 are recorded as encumbrances. Unexpended funds are reflected as a reduction to fund balance and a liability due to the 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, 2016 and 2015, the District's deposits were not fully collateralized.

Concentration of Credit Risk: At June 30, 2016 and 2015, 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 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, 2016**

<u>State Basic</u>	<u>Audited Expenditure Amount</u>	<u>Actual Expenditure Percentage</u>
Instruction (45% Minimum Required)	\$ 326,271	91%
General Administration 15% Maximum Allowed)	\$ -	0%



CliftonLarsonAllen LLP
CLAconnect.com

**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, 2016. 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, 2016.

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
October 14, 2016

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

**Schedule of Enrollment Data and Other Bases Upon Which Claims
are Filed
Year Ended June 30, 2016**

(Notes 1 and 2) Categories:	Total Reimbursable Semester Credit Hours by Term						Total
	Summer		Fall		Spring		
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	
Baccalaureate	12,700.0	-	49,447.0	17.0	48,010.0	3.0	110,177.0
Business Occupational	1,553.0	28.0	6,271.0	111.0	6,465.5	68.0	14,496.5
Technical Occupational	2,316.5	131.0	13,775.0	455.5	16,081.5	449.5	33,209.0
Health Occupational	1,643.0	49.0	5,342.0	105.0	5,960.0	168.0	13,267.0
Remedial/Development	1,663.0	-	10,240.0	-	6,896.0	-	18,799.0
Adult Basic Education/Adult Secondary Education	208.0	1,866.7	-	3,838.0	-	3,344.0	9,256.7
Total credit hours certified	20,083.5	2,074.7	85,075.0	4,526.5	83,413.0	4,032.5	199,205.2

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)	188,241.7	5,978.5	194,220.2
	Dual Credit	Dual Enrollment	Total
Semester credit hours (all terms)	17,228.5	1,217.0	18,445.5
District 2014 Equalized Assessed Valuation			\$ 6,494,524,838

Southwestern Illinois College
Community College District #522

Schedule of Enrollment Data and Other Bases Upon Which Claims
are Filed
Year Ended June 30, 2016

RECONCILIATION OF TOTAL SEMESTER CREDIT HOURS

	Total Unrestricted Credit Hours	Total Unrestricted Credit Hours Certified to the ICCB	Difference	Total Restricted Credit Hours	Total Restricted Credit Hours Certified to the ICCB	Difference
Categories:						
Baccalaureate	110,157.0	110,157.0	-	20.00	20.00	-
Business Occupational	14,289.5	14,289.5	-	207.00	207.00	-
Technical Occupational	32,173.0	32,173.0	-	1,036.00	1,036.00	-
Health Occupational	12,945.0	12,945.0	-	322.00	322.00	-
Remedial/Development	18,799.0	18,799.0	-	-	-	-
Adult Basic Education/Adult Secondary Education	208.0	208.0	-	9,048.7	9,048.7	-
Total credit hours	188,571.5	188,571.5	-	10,633.7	10,633.7	-

RECONCILIATION OF IN-DISTRICT/CHARGEBACK REIMBURSABLE CREDIT HOURS

	Total Attending	Total Attending as Certified to the ICCB	Difference
Reimbursable in-district residents	188,241.7	188,241.7	-
Reimbursable out-of-district on chargeback or contractual agreement	5,978.5	5,978.5	-
Total credit hours	194,220.2	194,220.2	-

	Total Reimbursable	Total Reimbursable as Certified to the ICCB	Difference
Dual Credit	17,228.5	17,228.5	-
Dual Enrollment	1,217.0	1,217.0	-
Total credit hours	18,445.5	18,445.5	-

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

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)

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

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, 2016 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 October 14, 2016. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as item 2016-003, that we consider to be a significant deficiency.

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*.

Southwestern Illinois College, Community College District #522's Response to Findings

Southwestern Illinois College, Community College District #522's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Southwestern Illinois College, Community College District #522's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

CliftonLarsonAllen LLP

Belleville, Illinois
October 14, 2016



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

**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, 2016. 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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

Southwestern Illinois College, Community College District #522's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Southwestern Illinois College, Community College District #522's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002 that we consider to be a significant deficiencies.

Southwestern Illinois College, Community College District #522's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Southwestern Illinois College, Community College District #522's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Trustees
Southwestern Illinois College
Community College District #522

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

CliftonLarsonAllen LLP

Bellefonte, Illinois
October 14, 2016

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

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016**

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			\$ 13,662,198
Pell Admin Costs	84.063			22,640
Work Study	84.033			239,076
SEOG	84.007			255,504
Direct Loan Subsidized	84.268			5,539,538
Direct Loan Unsubsidized	84.268			2,026,379
Direct Loan Plus	84.268			47,090
Total Student Financial Aid Cluster				<u>21,792,425</u>
TRIO- Student Support Services	84.042			44,780
TRIO- Student Support Services	84.042			204,744
Subtotal				<u>249,524</u>
Passed-through ICCB				
Perkins	84.048	CTE52216		576,886
Dual Credit Enhancement	84.048	16 CTE ICAPS 522		5,000
Federal Adult Basic Education	84.002	V002A150013		410,735
EL Civics	84.002	V002A150013		56,523
Adult Education and Family Literacy	84.002	16 AEL ICAPS 522		5,000
Subtotal				<u>1,054,144</u>
Passed-through Illinois Department of Human Services				
Race to the Top-Early Learning Challenge	84.412	8040849RT		1,586
Subtotal				<u>1,586</u>
Total - Department of Education				23,097,678
Department of Labor				
Trade Adjustment Assistance Community College and Career Training	17.282			65,741
Subtotal				<u>65,741</u>
Trade Adjustment Assistance Community College and Career Training Grant	17.282			137,096
Subtotal				<u>137,096</u>
Passed-Through St Clair County Intergovernmental Grants				
Out of School Youth-Fee for Services	17.259	202-2134-7460-TYSW12		140,612
Total - Department of Labor				343,449
Department of Commerce				
Passed-Through Illinois Community College Board				
ICCB-Manufacturing Outreach Services	11.611	15 IMEC 522		\$ 1,951
Total Department of Commerce				1,951
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		5,686
National Family Caregiver Support, Title III-E	93.052	3E Caregiver Counseling		21,818
Subtotal				<u>27,504</u>
Total - Department of Health and Human Services				27,504

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, 2016**

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	40,500
Service Coordination Program	14.872	IL-030	24,500
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		213,527
Subtotal			587,965
Retired and Senior Volunteer Program	94.002		71,280
Retired and Senior Volunteer Program	94.002		24,305
Subtotal			95,585
Passed-Through Illinois Department of Human Services			
Americorp Program	94.006	57380004C	48,316
Americorp Program	94.006	67380004D	222,771
Subtotal			271,087
Total - Corporation for National and Community Services			954,637
Department of Agriculture			
FY15/16 Child & Adult Care Food Program	10.558		\$ 386
FY16/17 Child & Adult Care Food Program	10.558		9,590
Total - Department of Agriculture			9,976
National Science Foundation			
Education and Human Resources	47.076		\$ 45
Total - Education and Human Resources			45
National Endowment for the Arts			
National Endowment for the Arts Grant	45.025		2,500
Total - National Endowment for the Arts			2,500
Department of Energy			
Passed-through The Midwest Renewable Energy Association			
"SunShot initiative: Rooftop Solar Challenge IL"	81.117	DE-EE0006544	93,753
Total - Department of Energy			93,753
Total Expenditures of Federal Awards			\$ 24,596,493

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, 2016**

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 NON-CASH ASSISTANCE

Southwestern Illinois College did not receive any non-cash assistance through federal award programs during the year ended June 30, 2016. 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, 2016.

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, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Southwestern Illinois College.
2. No material weaknesses were identified or disclosed during the audit of the financial statements of Southwestern Illinois College.
3. One significant deficiency was identified during the audit of the financial statements of Southwestern Illinois College.
4. No instances of material noncompliance were identified during the audit of the financial statements of Southwestern Illinois College.
5. Two significant deficiencies were disclosed related to the audit of the major federal award programs for Southwestern Illinois College, which were not considered material weaknesses.
6. The auditors' report on compliance for the major federal award programs for Southwestern Illinois College expresses an unmodified opinion.
7. Audit findings relative to the major federal award programs for Southwestern Illinois College are reported in Part B of this schedule.
8. The programs tested as major programs include:

<u>Program</u>	<u>CFDA Number</u>
Student Financial Aid Cluster	Various

9. The threshold for distinguishing type A and B programs was \$750,000.
10. Southwestern Illinois College was determined to be a low risk auditee.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

CURRENT YEAR

2016-003: Bank Reconciliation approval

Condition

Bank reconciliations were reviewed as part of evaluating internal controls. It was noted that there was no formal sign-offs for review of these reconciliations and Treasury reports were not included in board packets in FY16.

Criteria

Management is responsible for the internal controls over procedures to insure the accuracy of the general ledger.

Possible Asserted Affect

Bank reconciliations are an essential internal control tool and are necessary in preventing and detecting fraud. They also help identify accounting and bank errors by providing explanations of the differences between the accounting record's cash balances and the bank balance position per the bank statement.

Auditors' Recommendation

Management will implement procedures to review and document bank reconciliation approval.

Management's Response

Management has subsequently resumed preparation of the Treasury report and will implement a formal approval process of bank reconciliations.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding

Southwestern Illinois College resumed preparation of Treasury Reports for Board Packets as of July 2016. A formal sign-off after review will be implemented.

B. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

CURRENT YEAR

**2016-001: NSLDS Reporting
CFDA # Various
Grant year ended June 30, 2016
U.S. Department of Education**

Condition

The NSLDS "SCHER1" report was reviewed as part of our NSLD special testing. It was noted that errors were not being re-submitted within the 10-day time period.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Criteria

According to 34 CFR 685.309, institutions are required to update all information in the enrollment reports received from NSLDS and return the report to the Secretary within 10 days.

Possible Asserted Affect

Reporting accurate and timely enrollment data is important as the enrollment data is used to determine if a student's loan should enter the grace period and eventually repayment. By not reporting accurate data in a timely manner in accordance with federal regulations manner, it is possible that a student may not enter repayment timely.

Questioned Costs

Not applicable

Repeat Finding

See PY finding 2015-001

Auditors' Recommendation

CLA recommends implementation of formalized review procedures to verify that NSLDS error records are corrected and returned timely.

Management's Response

Management recognizes our role and responsibility to the timely submission of data to NSLDS and we are committed to establishing a reliable process and procedures that will ensure full compliance.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding

Southwestern Illinois College will monitor the SSCR error report from NSC and ensure resolution within the required timeframe as well as print the Scher 1 report from NSLDS to verify errors that are being resolved with NSC are reflected with NSLDS. Errors that cannot be corrected will be submitted to NSC and a ticket will be created to investigate the error and will keep a documented record of these errors for future audits.

2016-002: Improper Preparation of Schedule of Expenditures of Federal Awards

CFDA # Various

Grant year ended June 30, 2016

U.S. Department of Education

Condition

During review of the college prepared Schedule of Expenditures of Federal Awards (SEFA), it was noted that non-federal loans were included in the amounts being reported.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Criteria

According to CFR 200.510 (b), the auditee must prepare Schedule of Expenditures of Federal Awards that includes the total Federal awards expended.

Possible Asserted Affect

Without effective policies and procedures, the College is at a greater risk for reporting errors in the annual Schedule of Expenditures of Federal Awards and reports required by the federal government.

Questioned Costs

Not applicable

Auditors' Recommendation

Implement additional review procedures to verify only Federal dollars are being reported on the SEFA.

Management's Response

Management recognizes our role and responsibility in preparing the Schedule of Expenditures of Federal Awards, and we are committed to establishing a reliable process that will prevent reporting errors in the annual financial statements.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding

Management will take the necessary steps to ensure that accuracy of the SEFA and supporting documentation.

C. FINDINGS – FINANCIAL STATEMENT AUDIT

Prior Year

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Prior Year

2015-001: NSLDS Reporting
CFDA #84.268
Grant year ended June 30, 2015
Department of Education-
Pass-Through: P268K151336

Condition

The NSLDS "SCHER1" report was reviewed as part of our NSLD special testing. It was noted that errors were not being re-submitted within the 10-day time period.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Criteria

Per the NSLDS Enrollment Reporting Guide (July 2014) section 6.1.1 Reporting Schedules, If the response is provided by a batch response file, NSLDS will process the file and return an Error/Acknowledgement file. Any error must be corrected and submitted within 10 days of receiving the file Clearinghouse submissions finding related to failure to comply with the requirement to have error responses filed and accepted within the 10-day time frame. The Clearinghouse was audited and received a finding for not properly submitting the error reports to NSLDS, thus anyone utilizing the Clearinghouse will have the error report finding.

Possible Asserted Affect

The status of certain students with loans may not be properly updated in the NSLDS system. Per 34 CFR 685.309 (Administrative and fiscal control requirements for participating schools regulations), the school is responsible for providing accurate and timely enrollment data as this data determines whether a student with a loan should enter the grace period and when eventual repayment begins.

Questioned Costs

Not applicable

Auditors' Recommendation

We recommend working with the National Clearinghouse and directly with NSLDS to monitor compliance related to reporting student enrollment data.

Management's Response

Southwestern Illinois College has reviewed the internal controls and process to ensure the timely receipt, processing and tracking of SSCR error files. The National Student Clearinghouse (NSC) has acknowledged that during the 2014 and 2015 years there were three times during the years where they had issues with NSLDS accepting the error response files from them due to a change in the file receipt process. NSC has indicated that they have put into place a robust series of edits on enrollment files to prevent errors on SSCR responses and have increased the frequency of responding to the SSCR by responding on a monthly and mid-monthly basis to correct submitted changes from schools to comply with the timeframe requirement. Additionally, NSC is working on enhancements to the process to provide more transparency and opportunity to correct SSCR errors. Until NSC has put their planned enhancements into place, Southwestern Illinois College will receive a copy of the SSCR error report on a monthly basis to monitor and ensure resolution within the required timeframe. There are file scheme set-ups that NSLDS kicks out as an error but is rather a warning because the reported data is correct. These errors self-correct with a subsequent submission report and Southwestern Illinois College will keep a documented record of these errors for future audits.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Actions Planned in Response to Finding

As the NSC has put their planned enhancements into place, Southwestern Illinois College will receive a copy of the SSCR error report on a monthly basis to monitor and ensure resolution within the required timeframe. There are file scheme set-ups that NSLDS kicks out as an error but is rather a warning because the reported data is correct. These errors self-correct with a subsequent submission report and MCC will keep a documented record of these errors for future audits.