

Spoon River College District No. 534
Canton, Illinois

Annual Financial Report

Fiscal Years Ended June 30, 2018 and 2017

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Financial Section



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Spoon River College District No. 534
Canton, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Spoon River College District No. 534 (the "College") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Spoon River College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Spoon River College District No. 534, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the College adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements as a whole. The special reports section is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards in the annual federal financial compliance section is presented for purposes of additional analysis as required by U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the annual federal financial compliance section and the supplemental financial information listed under the special reports section of the table of contents are fairly presented in all material respects in relation to the financial statements taken as a whole.

The other supplemental financial information listed in the special reports section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Wipfli LLP

Sterling, Illinois
October 12, 2018

Spoon River College District No. 534

Management Discussion and Analysis

Using This Annual Report

This section of Spoon River College District No. 534's (the "College") presents management discussion and analysis of the College's financial activities for the fiscal years ended June 30, 2018 and 2017. Since management discussion and analysis is designed to focus on current activities, resulting change, and currently known facts, please read it in conjunction with the College's basic financial statements and the footnotes. Responsibility for the completeness and fairness of this information rests with the College.

The financial statement format focuses on the College as a whole. A comparative analysis is presented under this model. The College financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statements of Net Position is designed to be similar to bottom line results for the College. These statements combine and consolidate current financial resources (short-term spendable resources) with capital assets. The Statements of Revenues, Expenses, and Changes in Net Position focus on both the gross costs and the net costs of College activities which are supported mainly by property taxes and by state and other revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

The College's financial reports are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. These standards also require that financial statements be presented on a consolidated basis to focus on the College as a whole.

2018 Financial Highlights

- For the year ended June 30, 2018, the College recorded total operating revenues of \$4,822,179 and total operating expenses of \$18,620,233. The difference produced an operating loss of \$13,798,054. Net nonoperating revenue of \$13,970,508 and capital contributions of \$1,106,542 offset this loss and resulted in an overall increase in net position of \$1,278,996.
- The largest sources of nonoperating revenue included local property taxes of \$5,399,849 state appropriations of \$5,080,358, and federal grants of \$3,251,008.
- Operating revenue accounted for 23% of the College's total revenue, while nonoperating revenues account for the other 77% of the College's total revenue. Operating revenue consisted of tuition and fees net of scholarships totaling \$3,603,640 and auxiliary enterprise revenues totaling \$1,218,539.

2017 Financial Highlights

- For the year ended June 30, 2017, the College recorded total operating revenues of \$4,549,645 and total operating expenses of \$23,109,521. The difference produced an operating loss of \$18,559,876. Net nonoperating revenue of \$14,572,568 and capital contributions of \$1,800,615 offset this loss and resulted in an overall decrease in net position of \$2,186,693.
- The largest sources of nonoperating revenue included local property taxes of \$5,271,512, state appropriations of \$5,432,263, and federal grants of \$3,209,868.

Spoon River College District No. 534

Management Discussion and Analysis

2017 Financial Highlights (continued)

- Operating revenue accounted for 21% of the College's total revenue, while nonoperating revenues account for the other 79% of the College's total revenue. Operating revenue consisted of tuition and fees net of scholarships totaling \$3,293,098 and auxiliary enterprise revenues totaling \$1,256,547.

Financial Analysis of the College as a Whole

The College's financial position is summarized as follows for the years ended June 30, 2018, 2017, and 2016:

	Net Position As of June 30,				
	2018	As Restated 2017	Increase (Decrease) 2018-2017	2016*	Increase (Decrease) 2017-2016
Current assets	\$18,289,533	\$14,842,953	\$3,446,580	\$14,190,860	\$652,093
Non-current assets -					
Capital assets, net of depreciation	19,433,420	13,657,937	5,775,483	12,211,872	1,446,065
Total assets	37,722,953	28,500,890	9,222,063	26,402,732	2,098,158
Deferred outflows of resources	734,404	8,405	725,999	8,314	91
Total assets and deferred outflows of resources	38,457,357	28,509,295	9,948,062	26,411,046	2,098,249
Current liabilities	5,864,089	4,761,303	1,102,786	4,590,210	171,093
Non-current liabilities	21,080,675	14,470,555	6,610,120	10,514,574	3,955,981
Total liabilities	26,944,764	19,231,858	7,712,906	15,104,784	4,127,074
Deferred inflows of resources	6,348,997	5,392,837	956,160	5,234,969	157,868
Total liabilities and deferred inflows of resources	33,293,761	24,624,695	8,669,066	20,339,753	4,284,942
Net position					
Net investment in capital assets	8,897,527	5,401,735	3,495,792	3,966,878	1,434,857
Restricted	227,817	555,757	(327,940)	680,080	(124,323)
Unrestricted	(3,961,748)	(2,072,892)	(1,888,856)	1,424,335	(3,497,227)
Total	\$5,163,596	\$3,884,600	\$1,278,996	\$6,071,293	(\$2,186,693)

*Adjustments have not been made to restate 2016 for the effects of GASB Statement No. 75.

This schedule is prepared from the College's Statements of Net Position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Spoon River College District No. 534

Management Discussion and Analysis

Fiscal Year 2018 Compared to 2017

Current assets increased \$3,446,580 due to an increase in investments relating to the College's sweep account.

Non-current assets increased \$5,775,483 due to the additions in capital assets relating to the construction of the Multipurpose Building and an HVAC project.

Deferred outflows of resources increased \$725,999 with an increase in deferred outflows of OPEB resources.

Current liabilities increased \$1,102,786 due to an increase in accounts payable relating to an outstanding payment for the HVAC project, as well as an increase in current payments for bonds payable.

Non-current liabilities increased \$6,610,120 due the issuance of bonds and an increase in net OPEB liability.

Deferred inflows of resources increased \$956,160 with an increase in deferred property tax revenue.

Total net position at June 30, 2018 increased by \$1,278,996. The restricted net position is restricted for \$227,817 of debt service payments, capital projects, and grants and scholarships.

Fiscal Year 2017 Compared to 2016

Current assets increased \$652,093 due to an increase in State receivables relating to base operating and equalization grants.

Non-current assets increased \$1,446,065 due to the additions in capital assets relating to the construction of the Multipurpose Building.

Current liabilities increased \$171,093 due to an increase in accrued wages and unearned tuition and fees, as well as an increase in current payments for bonds payable.

Non-current liabilities increased \$3,955,981 due to the implementation of GASB Statement No. 75 which required the College to record a net OPEB liability of \$5,467,052.

Deferred inflows of resources increased \$157,868 with an increase in deferred property tax revenue.

Total net position at June 30, 2017 decreased by \$2,186,693. The restricted net position is restricted for \$555,757 of debt service payments, capital projects, and grants and scholarships.

Spoon River College District No. 534

Management Discussion and Analysis

Operating Results for the Year Ended June 30,					
	2018	As Restated 2017	Increase (Decrease) 2018-2017	2016*	Increase (Decrease) 2017-2016
Operating revenue:					
Tuition and fees	\$3,603,640	\$3,293,098	\$310,542	\$3,236,653	\$56,445
Auxiliary	1,218,539	1,256,547	(38,008)	1,245,490	11,057
Other operating revenues	0	0	0	1,210	(1,210)
Total operating revenue	4,822,179	4,549,645	272,534	4,483,353	66,292
Less operating expenses	18,620,233	23,109,521	(4,489,288)	17,267,055	5,842,466
Operating loss	(13,798,054)	(18,559,876)	4,761,822	(12,783,702)	(5,776,174)
Non-operating revenue					
State grants and contracts	5,080,358	5,432,263	(351,905)	3,543,428	1,888,835
Federal grants and contracts	3,251,008	3,209,868	41,140	3,433,145	(223,277)
Property taxes	5,399,849	5,271,512	128,337	5,028,856	242,656
Replacement taxes	931,093	992,263	(61,170)	784,124	208,139
Local grants	83,119	62,514	20,605	42,942	19,572
Investment income	87,660	32,102	55,558	22,132	9,970
Other	193,436	13,628	179,808	15,690	(2,062)
Interest expense	(1,056,015)	(441,582)	(614,433)	(497,135)	55,553
Total net non-operating revenues	13,970,508	14,572,568	(602,060)	12,373,182	2,199,386
Capital contributions	1,106,542	1,800,615	(694,073)	36,520	1,764,095
Increase (decrease) in net position	1,278,996	(2,186,693)	3,465,689	(374,000)	(1,812,693)
Net position, beginning of year	3,884,600	6,071,293	(2,186,693)	6,445,293	(374,000)
Net position, end of year	\$5,163,596	\$3,884,600	\$1,278,996	\$6,071,293	(\$2,186,693)

*Adjustments have not been made to restate 2016 for the effects of GASB Statement No. 75.

Total revenues and expenses (Operating and Non-Operating) for the fiscal year 2018 were \$20,955,244 and \$19,676,248, respectively. Fiscal year 2017 total revenues and expenses (Operating and Non-Operating) were \$21,364,410 and \$23,551,103, respectively. Fiscal year 2016 total revenues and expenses (Operating and Non-Operating) were \$17,390,190 and \$17,764,190, respectively.

Spoon River College District No. 534

Management Discussion and Analysis

Fiscal Year 2018 Compared to 2017

Operating revenue increased \$272,534 due to an increase in tuition and fees.

Operating expenses decreased \$4,489,288 due to a decrease in OPEB expense.

Net nonoperating revenue decreased \$602,060 due to an increase interest expense relating to bond interest.

Fiscal Year 2017 Compared to 2016

Operating revenue increased \$66,292 due to an increase in tuition and fees.

Operating expenses increased \$5,842,466 due to the implementation of GASB Statement No. 75 which required the College to record an OPEB expense of \$5,467,052.

Net nonoperating revenue increased \$2,199,386 due to an increase in base operating grants and equalization grants from the Illinois Community College Board.

Operating Expenses For the Year Ended June 30,

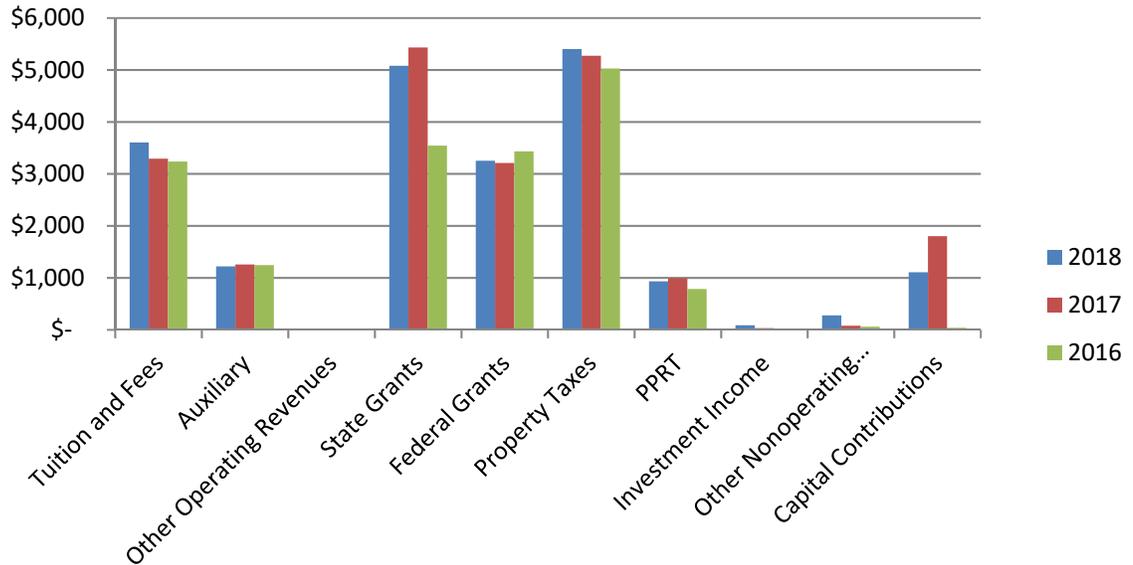
	2018	As Restated 2017	Increase (Decrease) 2018-2017	2016	Increase (Decrease) 2017-2016
Operating expense:					
Instruction	\$5,677,487	\$3,840,811	\$1,836,676	\$3,779,775	\$61,036
Academic support	1,077,577	839,269	238,308	664,939	174,330
Student services	1,581,982	1,155,008	426,974	1,186,065	(31,057)
Public services	559,189	396,461	162,728	397,136	(675)
Auxiliary services	1,338,788	1,310,161	28,627	1,158,769	151,392
Operations & maintenance of plant	1,130,745	1,029,045	101,700	859,379	169,666
Institutional support	4,874,122	12,629,792	(7,755,670)	6,692,324	5,937,468
Scholarships, grants, waivers	1,777,637	1,427,726	349,911	1,727,400	(299,674)
Depreciation	602,706	481,248	121,458	801,268	(320,020)
Total	\$18,620,233	\$23,109,521	(\$4,489,288)	\$17,267,055	\$5,842,466

Spoon River College District No. 534

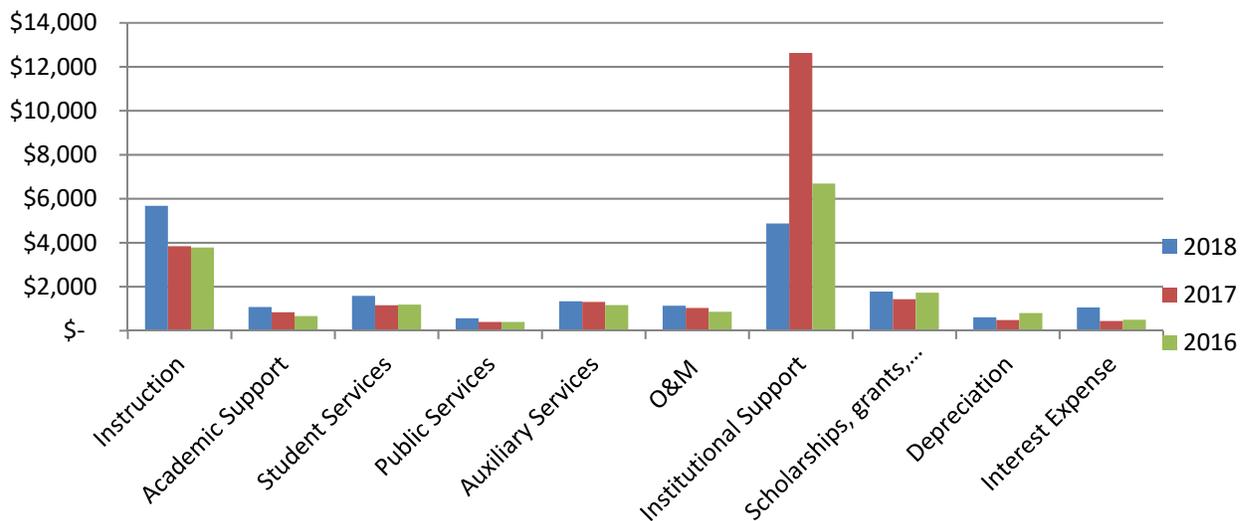
Management Discussion and Analysis

The following graphs depict revenues and expense for the years ended June 30, 2018 and 2017:

Comparison of Revenues Fiscal Years 2018, 2017, and 2016 (in thousands)



Comparison of Expenses Fiscal Years 2018, 2017, and 2016 (in thousands)



Spoon River College District No. 534

Management Discussion and Analysis

Capital Assets, Net June 30,

	2018	2017	Increase (Decrease) 2017-2016	2016	Increase (Decrease) 2017-2016
Capital assets:					
Land and improvements	\$869,115	\$869,115	\$0	\$869,115	\$0
Buildings and improvements	28,195,364	20,187,460	8,007,904	20,187,460	0
Equipment	525,989	574,063	(48,074)	576,595	(2,532)
Computer technology	1,974,938	2,093,823	(118,885)	2,264,074	(170,251)
Construction in progress	4,822,064	6,726,187	(1,904,123)	4,831,270	1,894,917
Total	36,387,470	30,450,648	5,936,822	28,728,514	1,722,134
Less accumulated depreciation	16,954,050	16,792,711	161,339	16,516,642	276,069
Net capital assets	\$19,433,420	\$13,657,937	\$5,775,483	\$12,211,872	\$1,446,065

Fiscal Year 2018 Compared to 2017

As of June 30, 2018, the College had recorded \$36,387,470 invested in capital assets, \$16,954,050 in accumulated depreciation, and \$19,433,420 in net capital assets. The College had \$6,381,607 in capital asset additions mostly related to the construction of the new Multipurpose Building and \$444,785 of disposals. For more detailed information on capital asset activity, refer to Note 3 – Capital Assets, in the Notes to Basic Financial Statements.

Fiscal Year 2017 Compared to 2016

As of June 30, 2017, the College had recorded \$30,450,648 invested in capital assets, \$16,792,711 in accumulated depreciation, and \$13,657,937 in net capital assets. The College had \$1,927,313 in capital asset additions mostly related to the construction of the new Multipurpose Building and \$205,179 of disposals. For more detailed information on capital asset activity, refer to Note 3 – Capital Assets, in the Notes to Basic Financial Statements.

Debt June 30,

	2018	2017	Increase (Decrease) 2018-2017	2016	Increase (Decrease) 2017-2016
General obligation bonds	\$16,434,577	\$10,514,574	\$5,920,003	\$11,945,645	(\$1,431,071)
Compensated absences	266,273	298,477	(32,204)	271,518	26,959
Total	\$16,700,850	\$10,813,051	\$5,887,799	\$12,217,163	(\$1,404,112)

Spoon River College District No. 534

Management Discussion and Analysis

Fiscal Year 2018 Compared to 2017

During fiscal year 2018, the College paid \$1,465,000 in bond payments funded through the tax levy and defeased \$4,710,000 of the Series 2008 GO Bond. The college issued Series 2017 Refunding Bond and Series 2018 GO Bond for a total of \$11,750,000. For more detailed information on long-term debt activity, refer to Note 4 – Debt, in the Notes to Basic Financial Statements.

Fiscal Year 2017 Compared to 2016

During fiscal year 2017, the College paid \$1,385,000 in bond payments funded through the tax levy. For more detailed information on long-term debt activity, refer to Note 4 – Debt, in the Notes to Basic Financial Statements.

Factors or Conditions Impacting Future Periods

Financial and budget planning is directly related to and supportive of the District's strategic plan and operational needs. The District's financial outlook is influenced by factors such as: the State and local economy, actual and projected enrollment, the level of support available from the Spoon River College Foundation, program growth and development, new initiatives, and technology needs.

The District's main sources of Operating Funds Revenue are: property tax revenue, student tuition and fees, and State Operating grants. Management is aware of conditions that may impact each of those sources of revenue in fiscal year 2019.

Property tax revenue in the Operating Funds has increased roughly 2.7% for fiscal year 2018, after a 4.8% increase in fiscal year 2017. The District experienced a 2.7% increase in equalized assessed valuation (EAV) from tax year 2016 to 2017. For fiscal year 2019, the District has estimated a 2.5% increase in EAV due to the economic conditions of the District. Each percentage point in EAV is the equivalent of about \$40,000 in property tax revenue in the Operating funds.

Management anticipates a 2.4% increase in tuition revenue in fiscal year 2019 based on estimated 3% decrease in credit hour enrollment for the 2018-2019 academic year, combined with a \$5 increase in tuition.

The State of Illinois adopted a budget for fiscal year 2019. Expected State appropriations for the District for fiscal year 2019 are \$58,000 more than the fiscal year 2018 State funding. At the State level, corporate personal property replacement tax is being reallocated to support community college and other funding streams. As a result, the District has budgeted for a decrease in corporate personal property replacement tax of \$100,000 in fiscal year 2019. Overall, Operating funds revenue is expected to increase by \$112,000, or 1.2%, from fiscal year 2018 actual levels to fiscal year 2019.

For fiscal year 2019, the Operating funds budget is balanced. The majority of the Operating funds budget for fiscal year 2019 continues to comprise instruction, academic support, and student services, reflecting the District's commitment to providing quality education and learning opportunities to the people of West Central Illinois.

Contacting the College's Financial Management

This financial report is designed to provide our constituents with a general overview of the College's financial position. Questions concerning this report or requests for additional information should be directed to Sarah Gray, Director of Business Services, 23235 N. County Highway 22, Canton, IL 61520.

Basic Financial Statements

Spoon River College District No. 534

Statements of Net Position

June 30, 2018 and 2017

ASSETS	2018	2017
Current assets:		
Cash and cash equivalents	\$577,476	\$1,058,370
Investments	11,630,881	6,586,466
Property taxes receivable, net of allowance	3,221,612	3,114,773
Other receivables, net of allowance	2,447,651	3,624,563
Prepaid items	27,283	81,754
Inventories	384,630	377,027
Total current assets	18,289,533	14,842,953
Noncurrent assets:		
Non-depreciable capital assets	5,581,102	7,485,225
Depreciable capital assets	30,806,368	22,965,423
Less accumulated depreciation	(16,954,050)	(16,792,711)
Total noncurrent assets	19,433,420	13,657,937
Total assets	37,722,953	28,500,890
DEFERRED OUTFLOW OF RESOURCES		
SURS pension contribution	15,502	8,405
College insurance plan OPEB	718,902	0
Total deferred outflow of resources	734,404	8,405
Total assets and deferred outflows of resources	38,457,357	28,509,295
LIABILITIES		
Current liabilities:		
Accounts payable	1,029,593	293,750
Accrued liabilities	661,518	488,225
Unearned tuition and fees	2,246,441	2,168,360
Accrued compensated absences	266,273	298,477
Other accounts payable	1,420	1,420
Bonds payable, net of unamortized premiums (discounts)	1,658,844	1,511,071
Total current liabilities	5,864,089	4,761,303
Noncurrent liabilities:		
Bonds payable, net of unamortized premiums (discounts)	14,775,733	9,003,503
OPEB liability	6,304,942	5,467,052
Total noncurrent liabilities	21,080,675	14,470,555
Total liabilities	26,944,764	19,231,858
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	5,603,571	5,375,340
Deferred grant revenue	8,000	17,497
Unamortized gain on refunding	194,320	0
Deferred OPEB	543,106	0
Total deferred inflows of resources	6,348,997	5,392,837
Total liabilities and deferred inflows of resources	33,293,761	24,624,695
NET POSITION		
Net investment in capital assets	8,897,527	5,401,735
Restricted - expendable:		
Capital projects	81,063	501,868
Debt service	144,836	26,881
Grants and scholarships	1,918	27,008
Unrestricted	(3,961,748)	(2,072,892)
Total net position	\$5,163,596	\$3,884,600

See Notes to Financial Statements.

Spoon River College District No. 534
 Statements of Revenues, Expenses, and Changes in Net Position
 For the years ended June 30, 2018 and 2017

	2018	2017
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$1,762,985 and \$1,609,785, respectively	\$3,603,640	\$3,293,098
Auxiliary enterprises revenue	1,218,539	1,256,547
Total operating revenue	4,822,179	4,549,645
Operating expenses:		
Instruction	5,677,487	3,840,811
Academic support	1,077,577	839,269
Student services	1,581,982	1,155,008
Public services	559,189	396,461
Auxiliary services	1,338,788	1,310,161
Operation and maintenance of plant	1,130,745	1,029,045
Institutional support	4,874,122	12,629,792
Scholarships, student grants, and waivers	1,777,637	1,427,726
Depreciation	602,706	481,248
Total operating expenses	18,620,233	23,109,521
Operating loss	(13,798,054)	(18,559,876)
Nonoperating revenues and (expenses):		
State grants	5,080,358	5,432,263
Federal grants	3,251,008	3,209,868
Property taxes	5,399,849	5,271,512
Personal property replacement tax	931,093	992,263
Local grants	83,119	62,514
Investment income	87,660	32,102
Other nonoperating revenues	193,436	13,628
Interest expense	(1,056,015)	(441,582)
Net nonoperating revenues and (expenses)	13,970,508	14,572,568
Capital contributions - Capital grants and gifts	1,106,542	1,800,615
Change in net position	1,278,996	(2,186,693)
Net position, beginning of year, as restated	3,884,600	6,071,293
Net position, end of year	\$5,163,596	\$3,884,600

See Notes to Financial Statements.

Spoon River College District No. 534

Statements of Cash Flows

For the years ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$5,093,638	\$5,084,696
Payments to suppliers	(4,298,516)	(5,550,065)
Payments to employees	(7,327,878)	(6,379,027)
Payments to students for scholarships	(3,233,171)	(3,190,711)
Auxiliary enterprise charges	1,218,539	1,256,547
Net cash used in operating activities	(8,547,388)	(8,778,560)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from property taxes	5,521,241	5,312,388
Replacement tax	931,093	992,263
Proceeds from grants	6,844,298	5,653,915
Other nonoperating	179,604	182,351
Net cash provided by noncapital financing activities	13,476,236	12,140,917
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(6,381,607)	(1,927,313)
Loss on disposal of capital assets	3,418	0
Principal paid on capital debt	(1,465,000)	(1,385,000)
Proceeds from bonds sold	11,750,000	0
Principal deposit in escrow	(4,710,000)	0
Premium (discount) on bonds sold	505,959	0
Interest paid on bonds payable and other long-term obligations	(350,077)	(492,421)
Net cash used in capital and related financing activities	(647,307)	(3,804,734)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(5,044,415)	645,935
Interest on investments	281,980	32,101
Net cash used in investing activities	(4,762,435)	678,036
Net increase (decrease) in cash and cash equivalents	(480,894)	235,659
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,058,370	822,711
End of year	\$577,476	\$1,058,370

See Notes to Financial Statements.

Spoon River College District No. 534

Statements of Cash Flows - (Continued)

For the years ended June 30, 2018 and 2017

	2018	2017
RECONCILIATION OF OPERATING LOSS TO NET CASH USED		
IN OPERATING ACTIVITIES:		
Operating loss	(\$13,798,054)	(\$18,559,876)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	602,706	481,248
State on-behalf payments for fringe benefits	3,901,593	3,791,852
Changes in assets and liabilities:		
Receivables	(43,617)	24,079
Prepaid expenses	54,471	20,500
Inventories	(7,603)	(99,185)
Deferred outflows of resources	(725,999)	(91)
Accounts payable	735,843	77,512
Accrued liabilities	(693,601)	(13,144)
Accrued compensated absences	(32,204)	26,959
Unearned tuition and fees	78,081	4,534
OPEB liability	837,890	5,467,052
Deferred inflows of resources	543,106	0
Net cash used in operating activities	(\$8,547,388)	(\$8,778,560)
NONCASH INVESTING, CAPITAL, AND FINANCIAL:		
Acquisition of capital assets with state capital contributions	\$1,106,542	\$1,800,615
Acquisition of capital assets using accounts payable	\$ 879,011	0
Disposal of assets	\$ 3,418	0
STATE ON-BEHALF PAYMENTS	\$3,901,593	\$3,791,852

Spoon River College District No. 534
 Component Unit - Spoon River College Foundation
 Statements of Financial Position
 June 30, 2018 and 2017

ASSETS	2018	2017
Cash	\$671,471	\$577,046
Investments	2,372,879	2,257,597
Receivables, net	12,632	15,627
Beneficial interest in perpetual trusts	808,502	801,326
Capital assets, non-depreciable	40,000	40,000
Total assets	\$3,905,484	\$3,691,596
LIABILITIES		
Accounts payable	\$14,686	\$18,658
Total liabilities	14,686	18,658
NET ASSETS		
Unrestricted	130,399	119,215
Temporarily restricted	1,202,565	1,079,064
Permanently restricted	2,557,834	2,474,659
Total net assets	3,890,798	3,672,938
Total liabilities and net assets	\$3,905,484	\$3,691,596

See Notes to Financial Statements.

Spoon River College District No. 534
Component Unit - Spoon River College Foundation
Statements of Activities
For the years ended June 30, 2018 and 2017

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, gains, and other support received:				
Contributions	\$66,851	\$260,074	\$56,000	\$382,925
In-kind	76,691	0	0	76,691
Interest and dividends	0	51,756	0	51,756
Net realized gain (loss) on investments	0	49,998	0	49,998
Net unrealized gain (loss) on investments	0	27,782	0	27,782
Unrealized gain (loss) on beneficial interest in trusts	0	0	7,175	7,175
Net assets reclassified	(5,075)	(14,925)	20,000	0
Net assets released from restrictions	251,184	(251,184)	0	0
Total revenue, gains, and other support received	389,651	123,501	83,175	596,327
Expenses:				
Program services	174,155	0	0	174,155
Supporting services	204,312	0	0	204,312
Total expenses	378,467	0	0	378,467
Change in net assets	11,184	123,501	83,175	217,860
Net assets, beginning of year	119,215	1,079,064	2,474,659	3,672,938
Net assets, end of year	\$130,399	\$1,202,565	\$2,557,834	\$3,890,798

See Notes to Financial Statements.

Spoon River College District No. 534
Component Unit - Spoon River College Foundation
Statements of Activities (Continued)
For the years ended June 30, 2018 and 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains, and other support received:				
Contributions	\$95,416	\$212,893	\$43,750	\$352,059
In-kind	76,194	0	0	76,194
Interest and dividends	0	41,976	0	41,976
Net realized gain (loss) on investments	0	104,716	0	104,716
Net unrealized gain (loss) on investments	0	44,306	0	44,306
Unrealized gain (loss) on beneficial interest in trusts	0	0	32,826	32,826
Net assets reclassified	(12,052)	(17,512)	29,564	0
Net assets released from restrictions	189,500	(189,500)	0	0
Total revenue, gains, and other support received	349,058	196,879	106,140	652,077
Expenses:				
Program services	173,940	0	0	173,940
Supporting services	120,424	0	0	120,424
Total expenses	294,364	0	0	294,364
Change in net assets	54,694	196,879	106,140	357,713
Net assets, beginning of year, as restated	64,521	882,185	2,368,519	3,315,225
Net assets, end of year	\$119,215	\$1,079,064	\$2,474,659	\$3,672,938

See Notes to Financial Statements.

Spoon River College District No. 534

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of entity

Spoon River College (the College”) is a two-year community college and is part of the Illinois Community College System which is regulated by the Illinois Community College Board. The College’s district covers five counties in west-central Illinois.

Revenues are substantially generated as a result of taxes assessed and allocated to the college and grants received from other state and federal governmental agencies. The College’s revenues are, therefore, primarily dependent upon the availability of funds at the state and federal level and the economy within its territorial boundaries. Industry within the territorial area is primarily retail and agricultural.

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

Spoon River College District No. 534 (the “College”) is organized in accordance with Chapter 110 of the Illinois Compiled Statutes. The Board of Trustees (the “Board”) has the governing responsibilities over all activities related to public post and secondary school education within the jurisdiction of the College. The College receives funding from local, state and federal sources and must comply with the requirements established by these funding source entities. Board members are elected by the public and have decision-making authority, the power to designate management and the responsibility to significantly influence operations and primary accountability for fiscal matters.

Reporting entity

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 Spoon River College Foundation (the Foundation).

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The 15 member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

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

Spoon River College District No. 534

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Reporting Entity (continued)

Financial statements for the Foundation can be obtained at 23235 N. County Highway 22, Canton, IL 61520.

The College is not aware of any entity whose elected officials are financially accountable for the operations of the College which would result in the College being considered a component unit of such entity.

Measurement focus, basis of accounting, and financial statement presentation

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Nonexchange transactions, in which the College receives value without directly giving equal value in return, include property taxes, federal, state, and local grants, and state appropriations. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants and state appropriations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used for the fiscal year resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

The following is a summary of the more significant policies:

New Accounting Pronouncement

Management adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB No. 75 replaces the requirements of GASB Statement No. 45 on Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. See Note 12 for the restatement of beginning net position.

Cash and cash equivalents

For purposes of reporting cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Investments

Investments, which consist of Illinois School District Liquid Asset Fund, Illinois Funds, and Goldman Sachs Financial Square Prime Obligations Fund money markets, are stated at cost, which approximates market. These investments are not subject to the fair value hierarchy disclosures.

Spoon River College District No. 534

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Receivables

Accounts receivable include uncollateralized student obligations, which generally require payment by the first day of class unless a payment plan through a third party has been established. Accounts receivable are stated at the invoice amount.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific student accounts and the aging of accounts receivable. If the actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due could be adversely affected. The allowance for doubtful accounts relating to student receivables as of June 30, 2018 and 2017 were \$1,378,697 and \$1,311,697, respectively.

Property taxes

The College's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are recorded on an accrual basis of accounting. Pursuant to the Board of Trustee's resolution, property tax levies for 2016 and 2015 are to be recognized as revenue in fiscal years 2018 and 2017, respectively.

The Fulton County Supervisor of Assessments prepares the property tax assessment rolls with the property tax liens as of January 1 of each year. Levies are set prior to the lien by the last Tuesday of December. Deferred property taxes represent the revenue to be generated from the 2017 levy which was passed by the Board on December 6, 2017.

The collection date for property tax receipts is thirty days after the property tax bills are mailed to property owners for the first installment, generally June 1 of each year. The second installment, being one-half of the total tax levy, is due September 1 of each year.

Property taxes collected are distributed to the College thirty days after receipt by the County, generally July, August, and September. Any unpaid property tax levies are sold at a tax sale the last week of October, and final distribution is made by the end of November of each year.

Inventories

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

Capital assets

Capital assets include property, plant, and equipment and infrastructure assets, such as roads and sidewalks. Capital assets are defined by the College as assets with an initial cost of \$5,000 or more for equipment and \$100,000 or more for building remodeling and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Spoon River College District No. 534

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Capital assets (continued)

Property, plant, and equipment of the College are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10
Buildings and improvements	10-40
Equipment	4-5
Computer technology	3

Unearned tuition and fee revenue

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

Long-term debt

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are netted with bonds payable on the Statement of Net Position.

Compensated absences

The College records a liability for employees' vacation leave earned but not taken. Employees are allowed to carry over a limited number of vacations days from year to year.

Other Post-Employment (“OPEB”) Obligations

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and to OPEB expense, information about the plan net position of the College Insurance Plan (“CIP”) and additions to/deductions from CIP’s plan net position has been determined on the same basis as they are reported by CIP. For this purpose, OPEB payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a OPEB plan that is used to provide OPEB to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to OPEB or (2) the non-employer is the only entity with a legal obligation to make contributions directly to an OPEB plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

Deferred inflows and outflows of resources

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

Spoon River College District No. 534

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Classification of revenues and expenses

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, and (2) sales and services of auxiliary enterprises. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as (1) local property taxes, (2) state appropriations, and (3) most federal, state, and local grants and contracts and federal appropriations. Operating expenses generally result from providing services in connection with ongoing operations. Nonoperating expenses do not meet this definition.

Federal financial assistance programs

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Federal Direct Loan programs. Federal programs are audited in accordance with the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996, the U.S. Office of Management and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Uniform Guidance Compliance Supplement.

On-behalf payments for fringe benefits and salaries

Contributions made by the State of Illinois relating to the State Universities Retirement Systems and College Insurance Plan on behalf of the College's employees are recognized by the College as revenues and expenses. In fiscal years 2018 and 2017, the state made contributions of \$3,901,593 and \$3,791,852, respectively (Note 5 and 6).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan net position of the State Universities Retirement System (SURS or the System) and additions to/deductions from SURS' plan net position has been determined on the same basis as they are reported by SURS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For the purposes of financial reporting, the State of Illinois and participating employers are considered to be under a special funding situation. A special funding situation is defined as a circumstance in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of the contributions for which the non-employer entity is legally responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The State of Illinois is considered a non-employer contributing entity. Participating employers are considered employer contributing entities.

Spoon River College District No. 534

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Net position

The College's net position is classified as follows:

Net investment in capital assets – This represents the College's total investment in capital assets, net of accumulated depreciation and related debt.

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

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

Use of estimates

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

Note 2 Cash and Investments:

The College's cash throughout the year and at year-end consisted of demand deposit accounts and money markets.

Cash as of June 30, 2018 consist of the following:

	<u>Carrying Amount</u>	
	<u>2018</u>	<u>2017</u>
Cash on hand	\$13,078	\$7,267
Deposits with financial institutions	564,398	1,051,103
Total	\$577,476	\$1,058,370

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

Spoon River College District No. 534

Notes to Financial Statements

Note 2 Cash and Investments (continued):

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits investment maturities to remain sufficiently liquid to meet all operating requirements as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments at June 30, 2018 and 2017 comprise the following at fair value:

	2018	2017
Illinois School District Liquid Asset Fund	\$8,315,670	\$3,594,501
Local Government Investment Pool	677,415	276,089
Goldman Sachs Financial Square Prime Obligations Fund	2,637,796	2,715,876
	<u>\$11,630,881</u>	<u>\$6,586,466</u>

As of June 30, 2018, the College had the following investments with stated maturities.

	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Illinois School District Liquid Asset Fund	\$8,315,670	\$8,315,670	\$0	\$0	\$0
Local Government Investment Pool	677,415	677,415	0	0	0
Goldman Sachs Financial Square Prime Obligations Fund	2,637,796	2,715,876	0	0	0
Total	\$11,630,881	\$11,630,881	\$0	\$0	\$0

As of June 30, 2017, the College had the following investments with stated maturities.

	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
Illinois School District Liquid Asset Fund	\$3,594,501	\$3,594,501	\$0	\$0	\$0
Local Government Investment Pool	276,089	276,089	0	0	0
Goldman Sachs Financial Square Prime Obligations Fund	2,715,876	2,715,876	0	0	0
Total	\$6,586,466	\$6,586,466	\$0	\$0	\$0

Spoon River College District No. 534

Notes to Financial Statements

Note 2 Cash and Investments (continued):

As of June 30, 2018, the College had the following investments with stated ratings.

	Total	Investment Ratings by Standard & Poor's			
		AAA	AA	A	Unrated
Illinois School District Liquid Asset Fund	\$8,315,670	\$8,315,670	\$0	\$0	\$0
Local Government Investment Pool	677,415	677,415	0	0	0
Goldman Sachs Financial Square Prime Obligations Fund	2,637,796	2,637,796	0	0	0
Total	\$11,630,881	\$11,630,881	\$0	\$0	\$0

As of June 30, 2017, the College had the following investments with stated ratings.

	Total	Investment Ratings by Standard & Poor's			
		AAA	AA	A	Unrated
Illinois School District Liquid Asset Fund	\$3,594,501	\$3,594,501	\$0	\$0	\$0
Local Government Investment Pool	276,089	276,089	0	0	0
Goldman Sachs Financial Square Prime Obligations Fund	2,715,876	2,715,876	0	0	0
Total	\$6,586,466	\$6,586,466	\$0	\$0	\$0

Credit Risk. Credit risk is the risk that the issuer or other counterparty to a debt investment will not fulfill its obligations. The College's investment policy does not limit the ratings of investments as a means of managing exposure to credit risk.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, there are no investments with custodial credit risk.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. At year end, the College's carrying amount of deposits was \$564,398 and the bank balance was \$588,995. Of the bank balance, \$500,350 was covered by federal depository insurance and \$88,645 was uncollateralized.

Concentration Risk. Concentration risk is the risk associated with having more than 5 percent of investments in any issuer, other than the U.S. Government. The College's investment policy limits its concentration risk by not allowing investments that are not secured by the U.S. Government. The College has no investments that represent 5 percent or more of the total investments.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The College's investment policy does not permit investment that are not secured by the U.S. Government. The College does not have any investments with foreign currency risk exposure.

Spoon River College District No. 534

Notes to Financial Statements

Note 3 Capital Assets:

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

	Balance at July 1, 2017	Additions	Deletions	Transfers	Balance at June 30, 2018
Nondepreciable assets:					
Land	\$759,038	\$0	\$0	\$0	\$759,038
Construction in progress	6,726,187	4,737,913	0	(6,642,036)	4,822,064
	7,485,225	4,737,913	0	(6,642,036)	5,581,102
Depreciable assets:					
Land improvements	110,077	0	0	0	110,077
Buildings and improvements	20,187,460	1,600,695	(234,827)	6,642,036	28,195,364
Equipment	574,063	0	(48,074)	0	525,989
Computer technology	2,093,823	42,999	(161,884)	0	1,974,938
	22,965,423	6,381,607	(444,785)	0	30,806,368
Less accumulated depreciation:					
Land improvements	106,832	512	0	0	107,344
Buildings and improvements	14,312,062	487,225	(234,824)	0	14,564,463
Equipment	460,240	42,690	(44,659)	0	458,541
Computer technology	1,913,577	72,009	(161,884)	0	1,823,702
	16,792,711	602,706	(441,367)	0	16,954,050
Depreciable assets, net	6,172,712	1,040,988	(3,418)	6,642,036	13,852,318
Capital assets, net	\$13,657,937	\$5,778,901	(\$3,418)	\$0	\$19,433,420

Construction in progress represents costs incurred to construct a water tower and to replace the HVAC system at the Canton Campus. Total costs for the water tower are estimated to be \$872,050 of which \$867,189 was incurred as of June 30, 2018. The first phase of the HVAC project consists of installing geothermal wells and replacing the HVAC system in the building. Total costs for the geothermal wells are estimated to be \$398,500 of which \$349,650 was incurred as of June 30, 2018. Total costs for the HVAC system are estimated to be \$4,164,246 of which \$3,522,082 was incurred as of June 30, 2018.

Spoon River College District No. 534

Notes to Financial Statements

Note 3 Capital Assets (continued):

The College deposited \$3,150,000 in a trust account for its share of project costs. Disbursements from this account are authorized by the Illinois Capital Development Board. The balance of this account as of June 30, 2018 was \$0.

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

	Balance at July 1, 2016	Additions	Deletions	Transfers	Balance at June 30, 2017
Nondepreciable assets:					
Land	\$759,038	\$0	\$0	\$0	\$759,038
Construction in progress	4,831,270	1,894,917	0	0	6,726,187
	5,590,308	1,894,917	0	0	7,485,225
Depreciable assets:					
Land improvements	110,077	0	0	0	110,077
Buildings and improvements	20,187,460	0	0	0	20,187,460
Equipment	576,595	7,752	(10,284)	0	574,063
Computer technology	2,264,074	24,644	(194,895)	0	2,093,823
	23,138,206	32,396	(205,179)	0	22,965,423
Less accumulated depreciation:					
Land improvements	106,320	512	0	0	106,832
Buildings and improvements	13,980,146	331,916	0	0	14,312,062
Equipment	402,922	67,602	(10,284)	0	460,240
Computer technology	2,027,254	81,218	(194,895)	0	1,913,577
	16,516,642	481,248	(205,179)	0	16,792,711
Depreciable assets, net	6,621,564	(448,852)	(0)	0	6,172,712
Capital assets, net	\$12,211,872	\$1,446,065	(\$0)	\$0	\$13,657,937

Note 4 Debt:

The following is a summary of the college's long-term and short-term debt transactions for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion	Long-term Portion
Long-term debt:						
General obligation bonds	\$10,320,000	\$11,750,000	\$6,175,000	\$15,895,000	\$1,545,000	\$14,350,000
Bond premiums (discounts)	194,574	505,959	160,956	539,577	113,844	425,733
Total Bonded Debt	10,514,574	12,255,959	6,335,956	16,434,577	1,658,844	14,775,733
Compensated absences	298,477	260,297	292,501	266,273	266,273	0
Totals	\$10,813,051	\$12,516,256	\$6,628,457	\$16,700,850	\$1,925,117	\$14,775,733

Spoon River College District No. 534

Notes to Financial Statements

Note 4 Debt (continued):

The following is a summary of the college's long-term and short-term debt transactions for the year ended June 30, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion	Long-term Portion
Long-term debt:						
General obligation bonds	\$11,705,000	\$0	\$1,385,000	\$10,320,000	\$1,465,000	\$8,855,000
Bond premiums (discounts)	240,645	0	46,071	194,574	46,071	148,503
Total Bonded Debt	11,945,645	0	1,431,071	10,514,574	1,511,071	9,003,503
Compensated absences	271,518	307,442	280,483	298,477	298,477	0
Totals	\$12,217,163	\$307,442	\$1,711,554	\$10,813,051	\$1,809,548	\$9,003,503

Details on the debt as of June 30, 2018 are as follows:

- In July 2008, the College issued General Obligation Community College Bonds, Series 2008, totaling \$6,370,000 with interest rates ranging from 4.15% to 5.50%. The bonds are due serially beginning in 2010 through 2023. The proceeds were used to redeem \$5,200,000 General Obligation Debt Certificates, Series 2008; and to defease \$75,000 of Community College Bonds Series 2003 and \$875,000 of Community College Bonds Series 2005B. 100% of the bond proceeds were used for the purchase of capital assets. The Series 2008 bond was defeased during the year ending June 30, 2018.
- In July 2010, the College issued Taxable General Obligation Community College Bonds, Series 2010 totaling \$3,500,000 with interest rates ranging from 4.50% to 5.65%. The bonds are due serially beginning in 2012 through 2021. The proceeds were used to redeem the General Obligation Debt Certificates, Series 2010. 0% of the bond proceeds were used for the purchase of capital assets. The annual debt service requirements on these bonds are due as follows:

	Principal	Interest	Total
During the year ending June 30:			
2019	\$410,000	\$61,072	\$471,072
2020	430,000	37,855	467,855
2021	455,000	12,854	467,854
Totals	\$1,295,000	\$111,781	\$1,879,356

Spoon River College District No. 534

Notes to Financial Statements

Note 4 Debt (continued):

3. In December 2013, the College issued General Obligation Community College Bonds, Series 2013, in the amount of \$4,300,000 with interest rates ranging from 1.15% to 4.20%. The bonds are due serially beginning in 2015 through 2024. The proceeds were used to redeem the General Obligation Debt Certificates, Series 2013. A portion of the bond proceeds (94.34%) were used for the purchase of capital assets. The annual debt service requirements on these bonds are due as follows:

	Principal	Interest	Total
During the year ending June 30:			
2019	\$75,000	\$102,712	\$177,712
2020	75,000	100,650	175,650
2021	75,000	98,550	173,550
2022	500,000	90,375	590,375
2023	500,000	75,750	575,750
2024	1,625,000	34,125	1,659,125
Totals	\$2,850,000	\$502,162	\$3,352,162

4. In November 2017, the College issued General Obligation Refunding Community College Bonds, Series 2017, in the amount of \$4,710,000 with interest rates ranging from 2.50% to 3.25%. The bonds are due serially beginning in 2019 through 2023. The proceeds were used to defease the General Obligation Community College Bonds, Series 2008 which was used 100% for the purchase of capital assets. The annual debt service requirements on these bonds are due as follows:

	Principal	Interest	Total
During the year ending June 30:			
2019	\$920,000	\$202,030	\$1,122,030
2020	930,000	100,750	1,030,750
2021	970,000	73,412	1,043,412
2022	1,025,000	43,487	1,068,487
2023	865,000	14,056	879,056
Totals	\$4,710,000	\$433,735	\$5,143,735

Spoon River College District No. 534

Notes to Financial Statements

Note 4 Debt (continued):

5. In February 2018, the College issued General Obligation Community College Bonds, Series 2018, in the amount of \$7,040,000 with an interest rate of 3.25%. The bonds are due serially beginning in 2019 through 2028. The proceeds were used to redeem the General Obligation Debt Certificates, Series 2017A and 2017B. A portion of the bond proceeds (66.32%) were used for the purchase of capital assets. The annual debt service requirements on these bonds are due as follows:

	Principal	Interest	Total
During the year ending June 30:			
2019	\$140,000	\$352,484	\$492,484
2020	210,000	266,100	476,100
2021	210,000	259,275	469,275
2022	240,000	251,962	491,962
2023	205,000	244,731	449,731
2024-2028	6,035,000	669,100	6,704,100
Totals	\$7,040,000	\$2,043,652	\$9,083,652

6. In December 2017, the College fully defeased the Series 2008 general obligation bond issues by placing the proceeds of the Series 2017 general obligation refunding bonds issue in an irrevocable trust fund to provide future debt service payments on the bonds. The trust account paid \$4,710,000 of the 2008 general obligation bond on December 1, 2017. As of June 30, 2018, the College has \$0 balance in the trust account.

The decrease in cash flow requirements as a result of the economic gain or loss is the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid. The College had an economic gain of \$219,985 on the refunding of the 2008 general obligation bonds which will be amortized through 2023. The aggregate difference in debt service between the refunding debt and the refunded debt resulted in a gain of \$219,985.

The annual requirements to amortize all debt outstanding as of June 30, 2018, including interest, are as follows:

Year Ending June 30,	General Obligation Bonds	Compensated Absences	Total Principal	Interest	Total Principal And Interest
2019	\$1,545,000	\$266,273	\$1,811,273	\$718,298	\$2,529,571
2020	1,645,000		1,645,000	505,355	2,150,355
2021	1,710,000		1,710,000	444,091	2,154,091
2022	1,765,000		1,765,000	385,824	2,150,824
2023	1,570,000		1,570,000	334,537	1,904,537
2024-2028	7,660,000		7,660,000	703,225	8,363,225
Total	\$15,895,000	\$266,273	\$16,161,273	\$3,091,330	\$19,252,603

The general obligation bonded debt of the College is limited to 2.875% of assessed valuation. The legal debt limit at June 30, 2018, is \$26,775,209. General obligation debt at June 30, 2018, is \$15,895,000 resulting in a legal debt margin of \$10,880,209.

Spoon River College District No. 534

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans

General Information about the Pension Plan

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

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

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

Participating employers make contributions toward separately financed specific liabilities under Section 15-139.5(e) of the Illinois Pension Code (relating to contributions payable due to the employment of "affected annuitants" or specific return to work annuitants) and Section 15-155(g) (relating to contributions payable due to earning increases exceeding 6% during the final rate of earnings period).

Spoon River College District No. 534

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

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

Net Pension Liability

The net pension liability (NPL) was measured as of June 30, 2017. At June 30, 2017, SURS reported a net pension liability (NPL) of \$25,481,105,995.

Employer Proportionate Share of Net Pension Liability

The amount of the proportionate share of the net pension liability to be recognized for the College is \$0. The proportionate share of the State's net pension liability associated with the College is \$40,871,694 or 0.1604%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2017 was determined based on the June 30, 2016 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net pension liability is the actual reported pensionable contributions made to SURS during fiscal year 2017.

Pension Expense

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

Employer Proportionate Share of Pension Expense

The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2017. As a result, the College recognized on-behalf revenue and pension expense of \$3,870,321 for the fiscal year ended June 30, 2018.

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

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

SURS Collective Deferred Outflows and Deferred Inflows of Resources by Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$139,193,227	\$1,170,771
Changes in assumption	205,004,315	259,657,577
Net difference between projected and actual earnings on pension plan investments	94,620,827	0
Total	\$438,818,369	\$260,828,348

Spoon River College District No. 534

Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

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

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

Employer Deferral of Fiscal Year 2018 Pension Expense

The College paid \$15,502 in federal, trust or grant contributions for the fiscal year ended June 30, 2018. These contributions were made subsequent to the pension liability date of June 30, 2017 and are recognized as Deferred Outflows of Resources as of June 30, 2018.

Assumptions and Other Inputs

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

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

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

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

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Notes to Financial Statements

Note 5 Defined Benefit Pension Plans (continued)

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

Discount Rate. A single discount rate of 7.09% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the System's Net Pension Liability to Changes in the Discount Rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.09%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1- percentage-point higher:

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

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

Spoon River College District No. 534

Notes to Financial Statements

Note 6 Other Post-Employment Benefits

Plan Administration. The Community College Health Insurance Security Fund (CCHISF) (also known as The College Insurance Program, "CIP") is a non-appropriated trust fund held outside the State Treasury, with the State Treasurer as custodian. The CIP was established under the State Employees Group Insurance Act of 1971, as amended, 5 ILCS 375/6.9 (f), which became effective July 1, 1999. The purpose of the CCHISF is to receive and record all revenues from the administration of health benefit programs under Article 15 of the Illinois Pension Code. Additions deposited into the Trust are for the sole purpose of providing the health benefits to retirees, as established under the plan, and associated administrative costs. CIP is a cost-sharing multiple-employer defined benefit post-employment healthcare plan with a special funding situation that covers retired employees and their dependents of Illinois community college districts throughout the State of Illinois, excluding the City Colleges of Chicago. As a result of the Governor's Executive Order 12-01, the responsibilities in relation to CIP were transferred to the Department of Central Management Services (Department) as of July 1, 2013. The Department administers the plan with the cooperation of the State Universities Retirement System and the boards of trustees of the various community college districts.

Benefit Provisions. A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department may be obtained by writing to the Department of Central Management Services, 401 South Spring Street, Springfield, Illinois, 62706-4100.

Benefits Provided. CIP health coverage includes provisions for medical, prescription drugs, vision, dental and behavioral health benefits. Eligibility to participate in the CIP is defined in the State Employees Group Insurance Act of 1971 (ACT) (5 ILCS 375/3). The Act (5 ILCS 375/6.9) also establishes health benefits for community college benefit recipients and dependent beneficiaries.

Contributions. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.10) requires every active contributor of the State Universities Retirement System (SURS), who is a full-time employee of a community college district or an association of community college boards, to make contributions to the plan at the rate of 0.5% of the salary. The same section of statute requires every community college district or association of community college boards that is an employer under the SURS, to contribute to the plan an amount equal to 0.5% of the salary paid to its full-time employees who participate in the plan. The State Pension Funds Continuing Appropriate Act (40 ILCS 15/1.4) requires the State to make an annual appropriation to the fund in an amount certified by the SURS Board of Trustees. The State Employees Group Insurance Act of 1971 (5 ILCS 375/6.9) requires the Director of the Department to determine the rates and premiums for annuitants and dependent beneficiaries and establish the cost-sharing parameter, as well as funding. At the option of the board of trustees, the college districts may pay all or part of the balance of the cost of coverage for retirees from their district. Administrative costs are paid by the CCHISF.

Spoon River College District No. 534

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (continued)

For the year ended June 30, 2017, member required contributions ranged from \$110.45 to \$111.19 per month per retiree, and from \$441.79 to \$444.76, per month per dependent beneficiary (assuming Medicare eligibility). Non-Medicare eligible members' required contributions ranged from \$109.33 to \$431.11 per retiree and from \$437.31 to \$1,724.44 per dependent family members. Active employees contributed \$4.367 million, or approximately 33.48% of total premiums, representing 0.5% of their salaries, and participating college districts contributed \$4.367 million, or 33.48% of total premiums, representing 0.5% of their salaries, and participating college districts contributed \$4.367 million, or 33.48% of total premiums, representing their required 0.5% contribution. The State contributed \$4.309 million, or approximately 33.04% of total premiums, representing their required contribution of 0.5% of estimated active employee salaries. The fund received \$185 thousand in Medicare Part D subsidy payments from the federal government. Retiree contributions are netted with related liability.

OPEB Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Net OPEB Liability. The net OPEB liability was measured as of June 30, 2017. At June 30, 2017, CIP reported a net OPEB liability of \$1,823,636,957.

Employer Proportionate Share of Net OPEB Liability. The amount of the proportionate share of the net OPEB liability to be recognized for the College is \$6,304,942 or 0.3457%. This amount is recognized in the financial statement. The change in the College's proportionate net OPEB liability was an increase of 0.0453%. The proportionate share of the State's net OPEB liability associated with the College is \$6,221,902. The total proportionate share of the net OPEB liability associated with the College is \$12,526,844. The net OPEB liability and total OPEB liability as of June 30, 2018 was determined based on the June 30, 2017 actuarial valuation rolled forward. The basis of allocation used in the proportionate share of net OPEB liability is the actual reported OPEB contributions made to CIP during fiscal year 2017.

OPEB Expense. At June 30, 2017, CIP reported a collective net OPEB expense of \$169,446,479.

Employer Proportionate Share of OPEB Expense. The employer proportionate share of collective OPEB expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective OPEB expense is the actual reported OPEB contributions made to CIP during fiscal year 2017. As a result, the College recognized on-behalf revenue of \$31,272 and OPEB expense of \$662,094 for the fiscal year ended June 30, 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. Deferred outflows of resources are the consumption of net position by the system that is applicable to future reporting periods.

Spoon River College District No. 534

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (continued)

The College's Deferred Outflows and Deferred Inflows of Resources by Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$0	\$17,844
Changes in assumption	0	525,196
Net difference between projected and actual earnings on OPEB plan investments	0	66
Changes in proportion and differences between employer contributions and share of contributions	687,630	0
Total deferred amounts to be recognized in pension expense in future periods	687,630	543,106
OPEB contributions made subsequent to the measurement date	31,272	0
Total	\$718,902	\$543,106

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

<u>Year ended June 30:</u>	<u>Net Deferred Outflows of Resources</u>
2019	\$24,087
2020	24,087
2021	24,087
2022	24,087
2023	24,087
2024	24,089
Total	\$144,524

Employer Deferral of Fiscal Year 2018 OPEB Expense

The College reported \$31,272 as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2019.

Assumptions and Other Inputs

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

Inflation 2.75%

Spoon River College District No. 534

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (continued)

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2010 to June 30, 2014.

Projected benefit payments were discounted to their actuarial present value using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bond with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met). Since CIP is financed on a pay-as-you-go basis, a discount rate consistent with the 20-year general obligation bond index has been selected. The discount rates are 2.85% as of June 30, 2016, and 3.56% as of June 30, 2017. The increase in the single discount rate from 2.85% to 3.56% caused the total OPEB liability to decrease by approximately \$182 million from 2016 to 2017.

The actuarial valuation was based on the Entry Age Normal cost method. Under this method, the normal cost and actuarial accrued liability are directly proportional to the employee's salary. The normal cost rate equals the present value of future benefits at entry age divided by the present value of future salary at entry age. The normal cost at the member's attained ae equals the normal cost rate at entry age multiplied by the salary at attained age. The actuarial accrued liability equals the present value of benefits at attained age less present value of future salaries at attained age multiplied by normal cost rate at entry age.

Spoon River College District No. 534

Notes to Financial Statements

Note 6 Other Post-Employment Benefits (continued)

During the plan year ending June 30, 2017, the trust earned \$24,000 in interest and due to a significant benefit payable, the market value of assets at June 30, 2017, is a negative \$51 million. Given the significant benefit payable, negative asset value and pay-as-you-go funding policy, the long-term expected rate of return assumption was set to zero.

Sensitivity of Net OPEB Liability to Changes in the Single Discount Rate

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

Sensitivity of Net OPEB Liability as of June 30, 2017 to the Single Discount Rate Assumption

	1% Decrease (2.56%)	Current Single Discount Rate Assumption (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$2,085,622,937	\$1,823,636,960	\$1,597,770,691

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

Sensitivity of Net OPEB Liability as of June 30, 2017 to the Healthcare Cost Trend Rate Assumption

	1% Decrease (a)	Healthcare Cost Trend Rates Assumption	1% Increase (b)
Net OPEB liability	\$1,512,891,678	\$1,823,636,960	\$2,273,321,981

- (a) One percentage point decrease in healthcare trend rates are 7.00% in 2018 decreasing to an ultimate trend rate of 4.02% in 2025, for non-Medicare coverage, and 8.00% in 2018 decreasing to an ultimate trend rate of 3.50% in 2027 for Medicare coverage.
- (b) One percentage point increase in healthcare trend rates are 9.00% in 2018 decreasing to an ultimate trend rate of 6.02% in 2025, for non-Medicare coverage, and 10.00% in 2018 decreasing to an ultimate trend rate of 5.50% in 2027 for Medicare coverage.

Spoon River College District No. 534

Notes to Financial Statements

Note 7 Risk Management:

The College 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 students; and natural disasters. The College purchases commercial insurance to cover the various risks of loss. The commercial insurance policies contain deductibles which vary with the type of coverage and risk involved. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 8 Contingencies and Commitments:

The College entered into an operating lease agreement for two minibuses in July 2016 through July 2021. The agreement allows for a fair market value purchase option in 2022. The College will bypass the purchase option and return the minibuses in 2020.

Commitments under operating lease agreements for minibuses for minimum annual lease payments are as follows:

<u>Year Ended June 30</u>	<u>Facilities</u>
2019	\$17,040
2020	23,880
<u>Total</u>	<u>\$40,920</u>

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

Construction Commitments. In fiscal year 2018, the College entered into a contract with CTS for the replacement of the HVAC system at the Canton Campus with estimated total cost of \$4,164,246. The total remaining project costs as of June 30, 2018 was \$642,164. The project is expected to be completed in fiscal year 2019.

Note 9 Component Unit Disclosures:

Spoon River College Foundation

Nature of Business

Spoon River College Foundation (the Foundation) was formed under the General Not For Profit Foundation Act of the State of Illinois on May 21, 1979. The Foundation has been approved by the Commissioner of Internal Revenue as an exempt organization under Section 501 of the Internal Revenue Code. Contributions to the Foundation qualify as charitable contributions for federal income tax purposes.

Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Nature of Business (continued)

The Foundation was established to assist in carrying out the educational functions of Spoon River Community College. The Foundation provides funds by solicitation and receipt of grants, endowments and other funds and the allocation of these funds to the College for educational, service, capital and other institutional needs.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis.

Financial Statement Presentation

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

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

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

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

Contributions and Revenues

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions of assets other than cash are recorded at fair value at the date of the donation.

Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Contributions and Revenues (continued)

The Foundation reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. As of June 30, 2018, there were promises to give to the Foundation in the amount of \$14,036 and the allowance for uncollectible pledges was \$1,404.

Income Taxes

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

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

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

Forms 990 filed by the Foundation are subject to examination by the Internal Revenue Services (IRS) up to three years from the extended due date of each return. Forms 990 filed by the Foundation are no longer subject to examination for tax years before June 30, 2015.

Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Cash and Cash Equivalents

The Foundation considers all liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents. The Foundation maintains its general cash accounts in one financial institution. Those balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Certificates of Deposit

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

Investments and Investment Earnings

Investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. All investments are in mutual funds with readily determinable fair values. Investments are carried at fair value as determined by quoted market prices and realized and unrealized gains and losses are reported in the statement of activities. Investment income or loss is included in the statement of activities as an increase or decrease in unrestricted net assets unless the income or loss is restricted by donor or law.

Capital Assets

The Foundation capitalizes all expenditures for capital assets at historical cost. Donated capital assets are carried at the approximate fair value at the date of the donation. Depreciation is computed using primarily the straight-line method over the estimated useful years. As of June 30, 2018, the Foundation's capital assets consists of land which is not depreciable.

Donated Services

Donated services are to be recognized in the financial statements. The services must either (a) create or enhance a non-financial asset or (b) be specialized skills, provided by entities or persons possessing those skills that would be purchased if not donated. The Foundation receives donated services generally in the form of contributed time by volunteers. However, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services. Donated services funded by the College are recognized in the financial statements and included in in-kind in the amount of \$76,691.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Subsequent Events

The Foundation has evaluated subsequent events through October 12, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2018 have been incorporated herein. There are no other subsequent events that require disclosure.

Accounting Standards Update

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

Investments:

All investments are carried by the Foundation at fair market value. The investments at June 30, 2018 consisted of the following:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market	\$103,438	\$103,438	\$0
Certificates of deposit	268,519	268,519	0
Mutual funds	201,401	202,769	(1,368)
Equities	1,300,977	967,229	333,748
Bonds and notes	498,544	510,424	(11,880)
	<u>\$2,372,879</u>	<u>\$2,052,379</u>	<u>\$320,500</u>

The following schedule summarizes the investment return and its classification in the Statements of Activities for the year ended June 30, 2018:

	Temporarily Restricted
Interest and dividends	\$51,756
Realized gains (losses)	49,998
Unrealized gains (losses)	27,782
Total	<u>\$129,536</u>

Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Capital Assets:

At June 30, 2018, the Foundation's capital assets consisted of donated land carried at the approximate fair value at the date of the donation.

	Fair Value	Accumulated Depreciation	Net
Land	\$40,000	\$0	\$40,000

During fiscal year 2017, the Foundation purchased land from the College for \$10 to lease to a company that is built apartments on campus. Since this is a related party transaction that is not at arm's length, the land was valued at approximated fair value instead of cost.

Endowment Funds:

The Foundation's endowment consists of approximately 61 individual funds established to be maintained permanently with earnings to be used for a variety of purposes.

The Foundation follows the laws prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA establishes law for the management and investment of donor-restricted endowment funds.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those assets have been appropriated for expenditure by the Foundation in a manner consistent with the standards of prudence prescribed in UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

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

Investment income generated by the Foundation's endowment funds are used to benefit each endowment's intended purpose.

Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Endowment Funds (continued):

The endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Donor-restricted endowment funds	\$0	\$817,413	\$1,749,333	\$2,566,749

Changes in endowment net assets as of June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets	\$0	\$690,960	\$1,673,333	\$2,364,293
Investment return:				
Interest income	0	51,756	0	51,756
Net appreciation (realized and unrealized) on investments	0	77,780	0	77,780
Total investment return	0	129,536	0	129,536
Contributions	0	64,069	56,000	120,069
Net assets reclassified		0	20,000	20,000
Appropriation of endowment assets for expenditure	0	(67,152)	0	(67,152)
Endowment net assets, end of year	\$0	\$817,413	\$1,749,333	\$2,566,746

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. The Foundation had no individual donor-restricted endowment fund deficiencies at June 30, 2018.

Return Objectives and Risk Parameters

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

Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Endowment Funds (continued):

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

Beneficial Interest in Perpetual Trusts:

The Foundation is a beneficiary of a trust that stipulates it is the recipient of 20% of the trust's earnings. The principal is to be held for perpetuity. The beneficial interest in the perpetual trust is recorded at 20% of the trust's fair value. The recorded value was \$282,199 as of June 30, 2018. The change in fair value is recorded on the statement of activities.

The Foundation is a beneficiary of a trust that stipulates it is the recipient of 60% of the trust's earnings. The principal is to be held for perpetuity. The beneficial interest in the perpetual trust is recorded at 60% of the trust's fair value. The recorded value was \$57,968 as of June 30, 2018. The change in fair value is recorded on the statement of activities.

The Foundation is a beneficiary of a trust that stipulates it is the recipient of 50% of the trust's earnings. The principal is to be held for perpetuity. The beneficial interest in the perpetual trust is recorded at 50% of the trust's fair value. The recorded value was \$11,177 as of June 30, 2018. The change in fair value is recorded on the statement of activities.

The Foundation is a beneficiary of a trust that stipulates it is the recipient of 100% of the trust's earnings. The principal is to be held for perpetuity. The beneficial interest in the perpetual trust is recorded at 100% of the trust's fair value. The recorded value was \$26,449 as of June 30, 2018. The change in fair value is recorded on the statement of activities.

The Foundation is a beneficiary of a trust that stipulates it is the recipient of 50% of the trust's earnings. The principal is to be held for perpetuity. The beneficial interest in the perpetual trust is recorded at 50% of the trust's fair value. The recorded value was \$430,707 as of June 30, 2018. The change in fair value is recorded on the statement of activities.

Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Pledges Receivable:

Unconditional promises are included in the financial statements as pledges receivable and revenue of the appropriate net asset category. An allowance has been set up in the amount of \$1,404 for uncollectible pledges. The breakdown of pledges receivable as of June 30, 2018 is as follows:

Due in one year or less	\$14,036
Less allowance for uncollectible pledges	(1,404)
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Donation receivables	\$12,632
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Fair Value Measurements:

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

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

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

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

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

The following table presents the Foundation's approximate fair value hierarchy for the assets measured at fair value on a recurring basis as of June 30, 2018:

	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Mutual funds	\$201,401	\$201,401	\$0	\$0
Equities	1,300,977	1,300,977	0	0
Bonds and notes	498,544	0	498,544	0
<hr/>				
Beneficial interest in perpetual trusts	808,502	0	0	808,502
<hr/>				
Total fair value measurements	\$2,809,424	\$1,502,378	\$498,544	\$808,502
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Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Fair Value Measurements (continued):

Reconciliation of assets measured using Level 3 inputs as of June 30, 2018:

Balance, beginning of year	\$801,326
Gains (Losses)	17,018
Purchases	11,135
Distributions and fees	(20,977)
<hr/>	
Balance, end of year	\$808,502

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Equities: Investments in equity vehicles are comprised of corporate stocks and daily traded mutual funds. Securities held in corporate stocks and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

Bonds and notes: Investments in debt securities that are classified as Level 2 if the fair value is determined using similar benchmark quoted securities. They are subject to restrictive provisions relating to redemptions of the investments.

Beneficial Interests in Perpetual Trusts: As described in Note 4, the Foundation is the beneficiary of four perpetual trusts established by donors and managed by banks. The fair value of the beneficial interest is estimated using the fair value of the assets held in the trust reported by the trustee as of June 30, 2018. The Foundation considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Foundation will never receive those assets or have the ability to direct the trustee to redeem them and they cannot be sold.

Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes

<u>Student scholarships, awards and College support</u>	<u>\$1,202,565</u>
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Spoon River College District No. 534

Notes to Financial Statements

Note 9 Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Permanently Restricted Net Assets:

Permanently restricted net assets are restricted to be held as investments, with a portion of earnings to be added to permanently restricted net assets and a portion of earnings to be used for scholarships and awards to students as well as College support. Earnings which are used for scholarships to students are temporarily restricted until such earnings are used for scholarships to students as specified by the donor, at which time they are reclassified as unrestricted. As of June 30, 2018 permanently restricted net assets totaled \$2,557,834.

Net Assets Released:

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

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, 2018 for scholarships, awards and institutional support totaled \$251,184.

The Foundation also reclassified temporarily restricted funds of \$14,925 and \$5,075 of unrestricted funds to permanently restricted due to change in donor restrictions.

Related Parties:

The Foundation expends funds either directly to or for the indirect benefit of Spoon River College, a related party. These expenses are for scholarships and other miscellaneous expenses. During the year, \$88,561 was expended for scholarships, and \$145,594 was expended for institutional support. As of June 30, 2018, the Foundation had payables to the College in the amount of \$14,686.

The College pays the salaries and benefits of the Foundation's employees. The Foundation has implemented "Not-for-Profit Entities: Services Received from Employees of an Affiliate" that includes \$76,691 on the financial statements as donation and the related in-kind expenses for the personnel costs incurred by the College on the Foundation's behalf.

Commitments:

As of June 30, 2018, the Foundation is committed to paying scholarships of approximately \$60,693 awarded in 2018, but not yet payable until the students enroll and attend classes.

Spoon River College District No. 534

Notes to Financial Statements

Note 10 Impact of Pending Accounting Pronouncements:

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations, and requires the current value of a government's asset retirement obligations to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The College has not determined the effect of this Statement.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The College has not determined the effect of this Statement.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The College has not determined the effect of this Statement.

GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The College has not determined the effect of this Statement.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The College has not determined the effect of this Statement.

GASB Statement No. 90, *Majority Equity Interests*-an amendment of GASB Statements No. 14 and No. 61 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The College has not determined the effect of this Statement.

Spoon River College District No. 534

Notes to Financial Statements

Note 11 Subsequent Event:

The College has evaluated subsequent events through October 12, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2018 have been incorporated herein. There are no other subsequent events that require disclosure.

Note 12 Prior Year Restatement

As a result of the implementation of GASB Statement No. 75, the business-type activities beginning net position was restated as follows:

	Business-Type Activities
Balance at July 1, 2017, as previously reported	\$9,351,652
<u>Subtract beginning net OPEB liability</u>	<u>(5,467,052)</u>
<u>Balance at July 1, 2017, as restated</u>	<u>\$3,884,600</u>

Required Supplementary Information

Spoon River College District No. 534
 Schedule of Share of Net Pension Liability
 Last 10 Fiscal Years
 (Schedule to be Built Prospectively from 2014)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion percentage of the collective net pension liability	0%	0%	0%	0%						
Proportion amount of the collective net pension liability	\$0	\$0	\$0	\$0						
Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with the College	\$40,871,694	\$38,063,665	\$35,750,486	\$34,007,812						
College DB covered-employee payroll	\$5,681,188	\$5,311,468	\$5,489,800	\$5,705,637						
Proportion of collective net pension liability associated with the College as a percentage of covered-employee payroll	719.42%	716.63%	651.22%	596.04%						
SURS plan net position as a percentage of total pension liability	42.04%	39.57%	42.37%	44.39%						

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

Spoon River College District No. 534
 Schedule of Pension Contributions
 Last 10 Fiscal Years
 (Schedule to be Built Prospectively from 2014)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Federal, trust, grant and other contribution	\$15,502	\$8,405	\$8,314	\$10,381	\$3,361					
Contribution in relation to required contribution	15,502	8,405	8,314	10,381	3,361					
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0					
College covered-employee payroll	\$5,876,188	\$5,553,295	\$5,448,552	\$5,507,779	\$5,710,878					
Contribution as a percentage of covered-employee payroll	0.26%	0.15%	0.15%	0.19%	0.06%					

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

Spoon River College District No. 534
 Schedule of Share of Net OPEB Liability
 Last 10 Fiscal Years
 (Schedule to be Built Prospectively from 2018)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion percentage of the collective net OPEB liability	0.35%	0.30%								
Proportion amount of the collective net OPEB liability	\$6,304,942	\$5,467,052								
Portion of nonemployer contributing entities' total proportion of collective net OPEB liability associated with the College	\$6,221,902	\$5,696,203								
Total collective net OPEB liability associated with the College	\$12,526,844	\$11,163,255								
College covered-employee payroll	5,553,295	5,448,552								
Proportion of collective net OPEB liability associated with the College as a percentage of covered-employee payroll	225.57%	204.88%								
College insurance plan net position as a percentage of total OPEB liability	-2.87%	-2.15%								

Note: The College implemented GASB No. 75 in fiscal year 2018. The information is presented for as many years as available. The schedule is intended to show information for 10 years.

Spoon River College District No. 534
 Schedule of OPEB Contributions
 Last 10 Fiscal Years
 (Schedule to be Built Prospectively from 2018)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily required contribution	\$31,272	\$29,995	\$27,225							
Contribution in relation to the required statutorily	31,272	29,995	27,225							
Contribution deficiency (excess)	\$0	\$0	\$0							
College covered-employee payroll	\$5,876,188	\$5,553,295	\$5,448,552							
Contribution as a percentage of covered-employee payroll	0.53%	0.54%	0.50%							

Note: The College implemented GASB No. 75 in fiscal year 2018. The information is presented for as many years as available. The schedule is intended to show information for 10 years.

Spoon River College District No. 534

Notes to Required Supplementary Information

Note 1 **Changes of Pension Benefit Terms:**

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

Note 2 **Changes of Pension Assumptions:**

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

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

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

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

Note 4. **Changes of OPEB Assumptions:**

In accordance with Illinois Compiled Statutes, an actuarial review is to be performed at least once every three years to determine the reasonableness of actuarial assumptions regarding the retirement, disability, mortality, turnover, interest and salary of the members and benefit recipients of CIP. An experience review for the years June 30, 2010 to June 30, 2014, resulting in the adoption of new assumptions as of June 30, 2017. There are no changes of assumptions that affect measurement of the total collective OPEB liability since the prior measurement date.

Supplemental Financial Information

Spoon River College District No. 534

Supplemental Financial Information Section

Uniform Financial Statements

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

The Uniform Financial Statements include the following:

- No. 1 - All Funds Summary
- No. 2 - Summary of Fixed Assets and Debt
- No. 3 - Operating Funds Revenues and Expenditures
- No. 4 - Restricted Purposes Fund Revenues and Expenditures
- No. 5 - Current Funds Expenditures by Activity

Certificate of Chargeback Reimbursement

- No. 6 - Certificate of Chargeback Reimbursement

Spoon River College District No. 534

Uniform Financial Statement #1

All Funds Summary

For the year ended June 30, 2018

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)
Fund balance (deficit) at July 1, 2017	\$4,075,509	\$82,122	\$501,868
Revenue:			
Local taxes	2,188,095	439,285	118,020
All other local government	623,832	307,261	0
ICCB grants	602,528	372,903	0
All other state revenue (including SURS on-behalf)	0	0	1,106,542
Federal revenue	6,301	0	0
Student tuition and fees	5,028,884	0	0
All other revenue	242,871	8,855	24,629
Total revenue	8,692,511	1,128,304	1,249,191
Expenditures:			
Instruction	3,488,012	0	0
Academic support	783,372	0	0
Student services	862,932	0	0
Public service	304,110	0	0
Auxiliary services	0	0	0
Operation and maintenance	0	1,030,458	0
Institutional support	2,404,464	0	0
Scholarships, student grants, and waivers	403,469	0	0
Principal retirement	0	0	0
Interest and issuance costs	0	0	0
Building construction, building improvements, and equipment	42,999	0	6,338,608
Total expenditures	8,289,358	1,030,458	6,338,608
Bond proceeds	800,000	0	6,200,000
Bond premiums	0	0	0
Deposit in escrow	0	0	0
Net transfers	0	0	0
	800,000	0	6,200,000
Fund balance (deficit) at June 30, 2018	\$5,278,662	\$179,968	\$1,612,451

Spoon River College District No. 534

Uniform Financial Statement #1 (Continued)

All Funds Summary

For the year ended June 30, 2018

	Bond and Interest Fund	Auxiliary Enterprise Fund	Health Insurance Fund	Restricted Purpose Fund
Fund balance (deficit) at July 1, 2017	\$26,881	\$86,791	\$0	\$27,008
Revenue:				
Local taxes	1,892,779	0	0	0
All other local government	0	0	0	0
ICCB grants	0	0	0	169,984
All other state revenue (including SURS on-behalf)	0	0	0	3,934,943
Federal revenue	0	0	0	3,244,707
Student tuition and fees	0	0	0	0
All other revenue	253	2,459,979	362,428	83,119
Total revenue	1,893,032	2,459,979	362,428	7,432,753
Expenditures:				
Instruction	0	0	0	2,189,475
Academic support	0	0	0	294,205
Student services	0	0	0	719,050
Public service	0	0	0	255,079
Auxiliary services	0	2,480,177	362,428	99,318
Operation and maintenance	0	0	0	100,287
Institutional support	0	0	0	970,727
Scholarships, student grants, and waivers	0	0	0	2,829,702
Principal retirement	1,465,000	0	0	0
Interest and issuance costs	856,036	0	0	0
Building construction, building improvements, and equipment	0	0	0	0
Total expenditures	2,321,036	2,480,177	362,428	7,457,843
Bond proceeds	4,750,000	0	0	0
Bond premiums	505,959	0	0	0
Deposit in escrow	(4,710,000)	0	0	0
Net transfers	0	0	0	0
	545,959	0	0	0
Fund balance (deficit) at June 30, 2018	\$144,836	\$66,593	\$0	\$1,918

Spoon River College District No. 534
Uniform Financial Statement #1 (Continued)
All Funds Summary
For the year ended June 30, 2018

	Audit Fund	Liability, Protection, and Settlement Fund	Total
Fund balance (deficit) at July 1, 2017	\$61,950	\$1,116,336	\$5,978,465
Revenue:			
Local taxes	41,600	720,070	5,399,849
All other local government	0	0	931,093
ICCB grants	0	0	1,145,415
All other state revenue (including SURS on-behalf)	0	0	5,041,485
Federal revenue	0	0	3,251,008
Student tuition and fees	0	0	5,028,884
All other revenue	6	3,749	3,185,889
Total revenue	41,606	723,819	23,983,623
Expenditures:			
Instruction	0	0	5,677,487
Academic support	0	0	1,077,577
Student services	0	0	1,581,982
Public service	0	0	559,189
Auxiliary services	0	0	2,941,923
Operation and maintenance	0	0	1,130,745
Institutional support	41,125	799,391	4,215,707
Scholarships, student grants, and waivers	0	0	3,233,171
Principal retirement	0	0	1,465,000
Interest and issuance costs	0	0	856,036
Building construction, building improvements, and equipment	0	0	6,381,607
Total expenditures	41,125	799,391	29,120,424
Bond proceeds	0	0	11,750,000
Bond premiums	0	0	505,959
Deposit in escrow	0	0	(4,710,000)
Net Transfers	0	0	0
	0	0	7,545,959
Fund balance (deficit) at June 30, 2018	\$62,431	\$1,040,764	\$8,387,623

Spoon River College District No. 534

Uniform Financial Statement #2

Summary of Fixed Assets and Debt

For the year ended June 30, 2018

	Fixed Assets/ Debt Account Groups July 1, 2017	Additions	Deletions	Reclassification	Fixed Assets/ Debt Account Groups June 30, 2018
Fixed assets:					
Land	\$759,038	\$0	\$0	\$0	\$759,038
Construction in process	6,726,187	4,737,913	0	(6,642,036)	4,822,064
Land improvements	110,077	0	0	0	110,077
Buildings and improvements	20,187,460	1,600,695	(234,827)	6,642,036	28,195,364
Equipment	574,063	0	(48,074)	0	525,989
Computer technology	2,093,823	42,999	(161,884)	0	1,974,938
Total fixed assets	30,450,648	6,381,607	(444,785)	0	36,387,470
Accumulated depreciation	16,792,711	602,706	(441,367)	0	16,954,050
Total net fixed assets	\$13,657,937	\$5,778,901	(\$3,418)	\$0	\$19,433,420
Fixed debts:					
Bonds payable	\$10,320,000	\$11,750,000	(\$6,175,000)	\$0	\$15,895,000
Bond premium	194,574	505,959	(160,956)	0	539,577
OPEB liability	5,467,052	837,890			6,304,942
Total fixed debts	\$15,981,626	\$13,093,849	(\$6,335,956)	\$0	\$22,739,519

Spoon River College District No. 534
Uniform Financial Statement #3
Operating Funds Revenues and Expenditures
For the year ended June 30, 2018

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Operating revenues by source:			
Local government:			
Local taxes	\$2,188,095	\$439,285	\$2,627,380
Corporate personal property replacement tax	623,832	307,261	931,093
Tuition chargeback revenue	0	0	0
Total local government	2,811,927	746,546	3,558,473
State government:			
ICCB base operating grant	450,012	372,903	822,915
ICCB equalization grant	50,000	0	50,000
ICCB small college grant	38,400	0	38,400
ICCB CTE - state formula grant	64,116	0	64,116
Total state government	602,528	372,903	975,431
Federal government:			
Department of Education	6,301	0	6,301
Total federal government	6,301	0	6,301
Student tuition and fees:			
Tuition	4,253,852	0	4,253,852
Fees	775,032	0	775,032
Total tuition and fees	5,028,884	0	5,028,884
Other sources:			
Facilities revenue	0	4,000	4,000
Interest	58,231	59	58,290
Other	184,640	4,796	189,436
Total other sources	242,871	8,855	251,726
Total revenue	8,692,511	1,128,304	9,820,815
Less nonoperating items *			
Tuition chargeback revenue	0		0
Adjusted revenue	\$8,692,511	\$1,128,304	\$9,820,815

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

Spoon River College District No. 534
 Uniform Financial Statement #3 (Continued)
 Operating Funds Revenues and Expenditures
 For the year ended June 30, 2018

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Operating expenditures:			
By program:			
Instruction	\$3,488,012	\$0	\$3,488,012
Academic support	783,372	0	783,372
Student services	862,932	0	862,932
Public services	304,110	0	304,110
Operation and maintenance of plant	0	\$1,030,458	1,030,458
Institutional support	2,447,463	0	2,447,463
Scholarships, student grants, and waivers	403,469	0	403,469
Total expenditures	8,289,358	1,030,458	9,319,816
Less nonoperating items *			
Tuition chargeback	0	0	0
Adjusted expenditures	\$8,289,358	\$1,030,458	\$9,319,816
By object:			
Salaries	\$5,426,930	\$169,700	\$5,596,630
Employee benefits	1,352,083	72,696	1,424,779
Contractual services	127,005	289,642	416,647
General materials and supplies	817,247	129,402	946,649
Conference and meeting expense	93,647	7,738	101,385
Fixed charges	7,910	2,717	10,627
Utilities	0	358,563	358,563
Other	464,536	0	464,536
Total expenditures	8,289,358	1,030,458	9,319,816
Less nonoperating items *			
Tuition chargeback	0	0	0
Adjusted expenditures	\$8,289,358	\$1,030,458	\$9,319,816

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

Spoon River College District No. 534
 Uniform Financial Statement #4
 Restricted Purposes Fund Revenues and Expenditures
 For the year ended June 30, 2018

Revenue by source:

State government:	
ICCB:	
State Adult Education Restricted Funds Grants	\$162,860
CTE Program Improvement Grant	7,124
S of S Volunteer Literacy	33,350
SURS on behalf contributions	3,901,593
<hr/>	
Total state government	4,104,927
<hr/>	
Federal government:	
Department of Education:	
College Work Study Grants	30,794
Pell Grants	2,773,903
Supplemental Educational Opportunity Grant	51,346
Perkins Postsecondary	78,770
Trio - Student Support Services	234,194
Adult Education Federal Basic	75,700
<hr/>	
Total federal government	3,244,707
<hr/>	
Other sources:	
Career Link Transition	49,697
Dollar General Literacy	8,000
Western Illinios Works	25,422
<hr/>	
Total other sources	83,119
<hr/>	
Total restricted purposes fund revenues	\$7,432,753
<hr/>	

Spoon River College District No. 534
 Uniform Financial Statement #4 (Continued)
 Restricted Purposes Fund Revenues and Expenditures
 For the year ended June 30, 2018

Expenditures by program:	
Instruction	\$2,189,475
Academic support	294,205
Student services	719,050
Public services	255,079
Auxiliary services	99,318
Operation and maintenance	100,287
Institutional support	970,727
Scholarships, student grants, and waivers	2,829,702

Total restricted purposes fund expenditures by program	\$7,457,843
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Expenditures by object:	
Salaries	\$446,733
Employee benefits (including SURS on-behalf)	4,030,744
Contractual services	13,785
General materials and supplies	56,521
Travel, conference and meeting expense	17,519
Capital outlay	31,561
Other	2,860,980

Total restricted purposes fund expenditures by object	\$7,457,843
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Spoon River College District No. 534
 Uniform Financial Statement #5
 Current Funds* - Expenditures by Activity
 For the year ended June 30, 2018

Instruction -	
Instructional programs	\$5,677,487
Academic support:	
Library	260,627
Instructional materials center	89,743
Academic administration and planning	433,002
Other academic support	294,205
Total academic support	1,077,577
Student services:	
Admissions and records	484,089
Counseling and career guidance	129,397
Financial aid administration	245,998
Other student services	722,498
Total student services	1,581,982
Public service/continuing education:	
Administration	304,110
Other public service	255,079
Total public service/continuing education	559,189
Auxiliary services	2,941,923
Operations and maintenance of plant:	
Maintenance	629,223
Plant utilities	401,235
Other operations and maintenance of plant	100,287
Total operations and maintenance of plant	1,130,745
Institutional support:	
Executive management	219,347
Fiscal operations	406,953
Administrative support services	1,363,994
Board of trustees	15,546
General institution	121,959
Administrative data processing	1,160,180
Other institutional support	970,727
Total institutional support	4,258,706
Scholarships, student grants, and waivers	3,233,171
Total current funds expenditures	\$20,460,780

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

Spoon River College District No. 534
 Certification of Chargeback Reimbursement *
 For Fiscal Year 2018

All fiscal year 2018 noncapital audited operating expenditures from the following funds:

1	Education Fund	\$8,246,359
2	Operations and Maintenance Fund	1,030,458
3	Public Building Commission Operation and Maintenance Fund	
4	Bond and Interest Fund	507,411
5	Public Building Commission Rental Fund	
6	Restricted Purposes Fund	3,556,250
7	Audit Fund	41,125
8	Liability, Protection, and Settlement Fund	799,391
9	Auxiliary Enterprises Fund (subsidy only)	
10	Total noncapital expenditures (sum of lines 1-9)	<u>\$14,180,994</u>
11	Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	<u>\$756,900</u>
12	Total costs included (line 10 plus line 11)	<u>\$14,937,894</u>
13	Total certified semester credit hours for FY 2018	<u>27,670</u>
14	Per capita cost (line 12 divided by line 13)	\$ 539.86
15	All FY 2018 state and federal operating grants for noncapital expenditures, except ICCB grants	<u>\$3,448,041</u>
16	FY 2018 state and federal grants per semester credit hour (line 15 divided by line 13)	124.61
17	District's average ICCB grant rate (excluding equalization grants) for FY 2019	<u>37.55</u>
18	District's student tuition and fee rate per semester credit hour for FY 2019	<u>165.00</u>
19	Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17, and 18)	<u>\$212.70</u>



Approved: _____
 President

10/12/2018
 Date



Approved: _____
 Chief Financial Officer

10/12/2018
 Date

Other Supplemental Financial Information

Spoon River College District No. 534

Balance Sheet - All Fund Types

June 30, 2018

ASSETS	Education	Operations and Maintenance	Operations and Maintenance Restricted
Cash and cash equivalents	\$270,130	\$0	\$0
Investments	7,897,199	0	3,091,678
Receivables:			
Property taxes	1,214,809	247,034	157,777
Government claims and grants	170,545	45,928	0
Other	2,099,112	212	0
Advances to other funds	0	354,271	0
Prepaid items	27,283	0	0
Inventories	0	0	0
Property and equipment, net	0	0	0
Total assets	11,679,078	647,445	3,249,455
Deferred outflows of resources:			
Deferred pension	0	0	0
Deferred OPEB	0	0	0
Total deferred outflows of resources	0	0	0
Total assets and deferred outflows	\$11,679,078	\$647,445	\$3,249,455
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts payable	\$1,029,593	\$0	\$0
Accrued liabilities	415,161	7,255	0
Advances from other funds	23,220	0	1,428,957
Unearned tuition and fees	2,534,783	0	0
Accrued compensated absences	238,719	21,317	0
Other accounts payable	0	0	0
OPEB liability	0	0	0
Bonds payable, net of unamortized premiums (discounts)	0	0	0
Total liabilities	4,241,476	28,572	1,428,957
Deferred inflows of resources:			
Deferred property taxes	2,158,940	438,905	208,047
Deferred grant revenue	0	0	0
Unamortized gain on refunding	0	0	0
Deferred OPEB	0	0	0
Total deferred inflows	2,158,940	438,905	208,047
Fund balance/net position (deficit):			
Net investment in capital assets	0	0	0
Restricted	0	0	1,612,451
Unrestricted	5,278,662	179,968	0
Total fund balance/net position (deficit)	5,278,662	179,968	1,612,451
Total liabilities, deferred inflows of resources, and fund balances/net position	\$11,679,078	\$647,445	\$3,249,455

Spoon River College District No. 534

Balance Sheet - All Fund Types (Continued)

June 30, 2018

ASSETS	Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose
Cash and cash equivalents	\$0	\$3,629	\$303,717
Investments	0	55,164	0
Receivables:			
Property taxes	1,223,038	0	0
Government claims and grants	0	0	122,032
Other	0	9,602	220
Advances to other funds	973,977	0	0
Prepaid items	0	0	0
Inventories	0	384,630	0
Property and equipment, net	0	0	0
Total assets	2,197,015	453,025	425,969
Deferred outflows of resources:			
Deferred pension	0	0	0
Deferred OPEB	0	0	0
Total deferred outflows of resources	0	0	0
Total assets and deferred outflows	\$2,197,015	\$453,025	\$425,969
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts payable	0	0	0
Accrued liabilities	0	8,044	12,826
Advances from other funds	0	370,731	403,225
Unearned tuition and fees	0	0	0
Accrued compensated absences	0	6,237	0
Other accounts payable	0	1,420	0
OPEB liability	0	0	0
Bonds payable, net of unamortized premiums (discounts)	0	0	0
Total liabilities	0	386,432	416,051
Deferred inflows of resources:			
Deferred property taxes	2,052,179	0	0
Deferred grant revenue	0	0	8,000
Unamortized gain on refunding	0	0	0
Deferred OPEB	0	0	0
Total deferred inflows	2,052,179	0	8,000
Fund balance/net position (deficit):			
Net investment in capital assets	0	0	0
Restricted	144,836	0	1,918
Unrestricted	0	66,593	0
Total fund balance/net position (deficit)	144,836	66,593	1,918
Total liabilities, deferred inflows of resources, and fund balances/net position	\$2,197,015	\$453,025	\$425,969

Spoon River College District No. 534

Balance Sheet - All Fund Types (Continued)

June 30, 2018

ASSETS	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund	Fund Totals
Cash and cash equivalents	\$0	\$0	\$0	\$577,476
Investments	0	0	586,840	11,630,881
Receivables:				
Property taxes	0	23,203	355,751	3,221,612
Government claims and grants	0	0	0	338,505
Other	0	0	0	2,109,146
Advances to other funds	0	80,290	817,595	2,226,133
Prepaid items	0	0	0	27,283
Inventories	0	0	0	384,630
Property and equipment, net	0	0	0	0
Total assets	0	103,493	1,760,186	20,515,666
Deferred outflows of resources:				
Deferred pension	0	0	0	0
Deferred OPEB	0	0	0	0
Total deferred outflows of resources	0	0	0	0
Total assets and deferred outflows	\$0	\$103,493	\$1,760,186	\$20,515,666
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable	\$0	\$0	\$0	\$1,029,593
Accrued liabilities	0		14,984	458,270
Advances from other funds	0	0	0	2,226,133
Unearned tuition and fees	0	0	0	2,534,783
Accrued compensated absences	0	0	0	266,273
Other accounts payable	0	0	0	1,420
OPEB liability	0	0	0	0
Bonds payable, net of unamortized premiums (discounts)	0	0	0	0
Total liabilities	0	0	14,984	6,516,472
Deferred inflows of resources:				
Deferred property taxes	0	41,062	704,438	5,603,571
Deferred grant revenue	0	0	0	8,000
Unamortized gain on refunding	0	0	0	0
Deferred OPEB	0	0	0	0
Total deferred inflows	0	41,062	704,438	5,611,571
Fund balance/net position (deficit):				
Net investment in capital assets	0	0	0	0
Restricted	0	0	0	1,759,205
Unrestricted	0	62,431	1,040,764	6,628,418
Total fund balance/net position (deficit)	0	62,431	1,040,764	8,387,623
Total liabilities, deferred inflows of resources, and fund balances/net position	\$0	\$103,493	\$1,760,186	\$20,515,666

Spoon River College District No. 534

Balance Sheet - All Fund Types (Continued)

June 30, 2018

	GASB			Adjusted Totals
	General Fixed Assets Account	General Long Term Debt Account	Other Adjustments	
ASSETS				
Cash and cash equivalents	\$0	\$0	\$0	\$577,476
Investments	0	0	0	11,630,881
Receivables:				
Property taxes	0	0	0	3,221,612
Government claims and grants	0	0	0	338,505
Other	0	0	0	2,109,146
Advances to other funds	0	0	(2,226,133)	0
Prepaid items	0	0	0	27,283
Inventories	0	0	0	384,630
Property and equipment, net	19,433,420	0	0	19,433,420
Total assets	19,433,420	0	(2,226,133)	37,722,953
Deferred outflows of resources:				
Deferred pension	0	0	15,502	15,502
Deferred OPEB	0	718,902	0	718,902
Total deferred outflows of resources	0	718,902	15,502	734,404
Total assets and deferred outflows	\$19,433,420	\$718,902	(\$2,210,631)	\$38,457,357
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable	\$0	\$0	\$0	\$1,029,593
Accrued liabilities	0	203,248	0	661,518
Advances from other funds	0	0	(2,226,133)	0
Unearned tuition and fees	0	0	(288,342)	2,246,441
Accrued compensated absences	0	0	0	266,273
Other accounts payable	0	0	0	1,420
OPEB liability	0	6,304,942	0	6,304,942
Bonds payable, net of unamortized premiums (discounts)	0	16,434,577	0	16,434,577
Total liabilities	0	22,942,767	(2,514,475)	26,944,764
Deferred inflows of resources:				
Deferred property taxes	0	0	0	5,603,571
Deferred grant revenue	0	0	0	8,000
Unamortized gain on refunding	0	194,320	0	194,320
Deferred OPEB	0	543,106	0	543,106
Total deferred inflows	0	737,426	0	6,348,997
Fund balance/net position (deficit):				
Net investment in capital assets	19,433,420	(10,535,893)	0	8,897,527
Restricted	0	(1,531,388)	0	227,817
Unrestricted	0	(10,894,010)	303,844	(3,961,748)
Total fund balance/net position (deficit)	19,433,420	(22,961,291)	303,844	5,163,596
Total liabilities, deferred inflows of resources, and fund balances/net position	\$19,433,420	\$718,902	(\$2,210,631)	\$38,457,357

Spoon River College District No. 534

Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance/Net Position (Deficit) - All Fund Types
For the year ended June 30, 2018

	Education	Operations and Maintenance	Operations and Maintenance Restricted
Revenues:			
Local government	\$2,811,927	\$746,546	\$118,020
State government	602,528	372,903	1,106,542
State of Illinois SURS on-behalf payments	0	0	0
Federal government	6,301	0	0
Student tuition and fees	5,028,884	0	0
Sales and service fees	0	0	0
Interest	58,231	59	24,629
Other	184,640	8,796	0
Total revenues	8,692,511	1,128,304	1,249,191
Expenditures/expenses:			
Current:			
Instruction	3,488,012	0	0
Academic support	783,372	0	0
Student services	862,932	0	0
Public services	304,110	0	0
Auxiliary services	0	0	0
Operation and maintenance of plant	0	1,030,458	6,338,608
Institutional support	2,447,463	0	0
Scholarships, student grants, and waivers	403,469	0	0
Depreciation expense	0	0	0
Debt service:			
Principal retirement	0	0	0
Interest	0	0	0
Bond issuance cost	0	0	0
Total expenditures/expenses	8,289,358	1,030,458	6,338,608
Excess (deficiency) of revenues over expenditures/expenses	403,153	97,846	(5,089,417)
Other financing sources (uses):			
Bond proceeds	800,000	0	6,200,000
Bond premium	0	0	0
Deposit in escrow	0	0	0
Transfers in	0	0	0
Transfers out	0	0	0
Total other financing sources (uses)	800,000	0	6,200,000
Net change in fund balance / net position	1,203,153	97,846	1,110,583
Fund balance/net position at beginning of year (deficit), as previously reported	4,075,509	82,122	501,868
Prior period adjustment	0	0	0
Fund balance/net position at beginning of year (deficit), as restated	4,075,509	82,122	501,868
Fund balance/net position at end of year (deficit)	\$5,278,662	\$179,968	\$1,612,451

Spoon River College District No. 534

Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance/Net Position (Deficit) - All Fund Types (Continued)

For the year ended June 30, 2018

	Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose
Revenues:			
Local government	\$1,892,779	\$0	\$0
State government	0	0	203,334
State of Illinois SURS on-behalf payments	0	0	3,901,593
Federal government	0	0	3,244,707
Student tuition and fees	0	0	0
Sales and service fees	0	890,421	0
Interest	253	733	0
Other	0	1,931,253	83,119
Total revenues	1,893,032	2,822,407	7,432,753
Expenditures/expenses:			
Current:			
Instruction	0	0	2,189,475
Academic support	0	0	294,205
Student services	0	0	719,050
Public services	0	0	255,079
Auxiliary services	0	2,842,605	99,318
Operation and maintenance of plant	0	0	100,287
Institutional support	0	0	970,727
Scholarships, student grants, and waivers	0	0	2,829,702
Depreciation expense	0	0	0
Debt service:			
Principal retirement	1,465,000	0	0
Interest	350,077	0	0
Bond issuance costs	505,959	0	0
Total expenditures/expenses	2,321,036	2,842,605	7,457,843
Excess (deficiency) of revenues over expenditures/expenses	(428,004)	(20,198)	(25,090)
Other financing sources (uses):			
Bond proceeds	4,750,000	0	0
Bond premium	505,959	0	0
Deposit in escrow	(4,710,000)	0	0
Transfers in	0	0	0
Transfers out	0	0	0
Total other financing sources (uses)	545,959	0	0
Net change in fund balance / net position	117,955	(20,198)	(25,090)
Fund balance/net position at beginning of year (deficit), as previously reported	26,881	86,791	27,008
Prior period adjustment	0	0	0
Fund balance/net position at beginning of year (deficit), as restated	26,881	86,791	27,008
Fund balance/net position at end of year (deficit)	\$144,836	\$66,593	\$1,918

Spoon River College District No. 534

Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance/Net Position (Deficit) - All Fund Types (Continued)
For the year ended June 30, 2018

	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund	Fund Totals
Revenues:				
Local government	\$0	\$41,600	\$720,070	\$6,330,942
State government	0	0	0	2,285,307
State of Illinois SURS on-behalf payments	0	0	0	3,901,593
Federal government	0	0	0	3,251,008
Student tuition and fees	0	0	0	5,028,884
Sales and service fees	0	0	0	890,421
Interest	0	6	3,749	87,660
Other	0	0	0	2,207,808
Total revenues	0	41,606	723,819	23,983,623
Expenditures/expenses:				
Current:				
Instruction	0	0	0	5,677,487
Academic support	0	0	0	1,077,577
Student services	0	0	0	1,581,982
Public services	0	0	0	559,189
Auxiliary services	0	0	0	2,941,923
Operation and maintenance of plant	0	0	0	7,469,353
Institutional support	0	41,125	799,391	4,258,706
Scholarships, student grants, and waivers	0	0	0	3,233,171
Depreciation expense	0	0	0	0
Debt service:				
Principal retirement	0	0	0	1,465,000
Interest	0	0	0	350,077
Bond issuance cost	0	0	0	505,959
Total expenditures/expenses	0	41,125	799,391	29,120,424
Excess (deficiency) of revenues over expenditures/expenses	0	481	(75,572)	(5,136,801)
Other financing sources (uses):				
Bond proceeds	0	0	0	11,750,000
Bond premiums	0	0	0	505,959
Deposit in escrow	0	0	0	(4,710,000)
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Total other financing sources (uses)	0	0	0	7,545,959
Net change in fund balance/net position	0	481	(75,572)	2,409,158
Fund balance/net position at beginning of year (deficit), as previously reported	0	61,950	1,116,336	5,978,465
Prior period adjustment	0	0	0	0
Fund balance/net position at beginning of year (deficit), as restated	0	61,950	1,116,336	5,978,465
Fund balance/net position at end of year (deficit)	\$0	\$62,431	\$1,040,764	\$8,387,623

Spoon River College District No. 534

Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance/Net Position (Deficit) - All Fund Types (Continued)
For the year ended June 30, 2018

	GASB			Adjusted Totals
	General Fixed Assets Account	General Long-Term Debt Account	Other Adjustments	
Revenues:				
Local government	\$0	\$0	\$0	\$6,330,942
State government	0	0	0	2,285,307
State of Illinois SURS on-behalf payments	0	0	0	3,901,593
Federal government	0	0	0	3,251,008
Student tuition and fees	0	0	(1,425,244)	3,603,640
Sales and service fees	0	0	328,118	1,218,539
Interest	0	0	0	87,660
Other	0	0	(1,931,253)	276,555
Total revenues	0	0	(3,028,379)	20,955,244
Expenditures/expenses:				
Current:				
Instruction	0	0	0	5,677,487
Academic support	0	0	0	1,077,577
Student services	0	0	0	1,581,982
Public services	0	0	0	559,189
Auxiliary services	0	0	(1,603,135)	1,338,788
Operation and maintenance of plant	(6,338,608)	0	0	1,130,745
Institutional support	(39,581)	662,094	(7,097)	4,874,122
Scholarships, student grants, and waivers	0	0	(1,455,534)	1,777,637
Depreciation expense	602,706	0	0	602,706
Debt service:				
Principal retirement	0	(1,465,000)	0	0
Interest	0	705,938	0	1,056,015
Bond issuance cost	0	(505,959)	0	0
Total expenditures/expenses	(5,775,483)	(602,927)	(3,065,766)	19,676,248
Excess (deficiency) of revenues over expenditures/expenses	5,775,483	602,927	37,387	1,278,996
Other financing sources (uses):				
Bond proceeds	0	(11,750,000)	0	0
Bond premium	0	(505,959)	0	0
Deposit in escrow	0	4,710,000	0	0
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Total other financing sources (uses)	0	(7,545,959)	0	0
Net change in fund balance / net position	5,775,483	(6,943,032)	37,387	1,278,996
Fund balance/net position at beginning of year (deficit), as previously reported	13,657,937	(10,551,207)	266,457	9,351,652
Prior period adjustment	0	(5,467,052)	0	(5,467,052)
Fund balance/net position at beginning of year (deficit), as restated	13,657,937	(16,018,259)	266,457	3,884,600
Fund balance/net position at end of year (deficit)	\$19,433,420	(\$22,961,291)	\$303,844	\$5,163,596

Spoon River College District No. 534
 Schedule of Operating Revenues and Expenses, by Program
 Auxiliary Enterprise Fund
 For the year ended June 30, 2018

	General	Bookstore	Food Services	Print Shop	Postage	Nursing Exams	Student Activities
Operating revenues:							
Sales and service fees	\$0	\$631,592	\$79,301	\$17,603	\$16,707	\$4,616	\$0
Student tuition and fees	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Interest	733	0	0	0	0	0	0
Total revenues	733	631,592	79,301	17,603	16,707	4,616	0
Operating expenses:							
Salaries	0	20,835	58,121	0	0	0	15,165
Employee benefits	0	14,539	0	0	0	0	0
Contractual services	0	0	2,728	15,509	0	0	13,001
General materials and supplies	0	408,915	61,757	6,483	18,738	4,640	6,594
Travel and conference/ meeting expenses	0	806	0	0	0	0	0
	0	0	222	0	0	0	4,789
Fixed charges	0	31,641	0	0	0	0	0
Other	0	8,550	0	0	0	0	1,432
Total operating expenses	0	485,286	122,828	21,992	18,738	4,640	40,981
Operating income (loss) before operating transfers	733	146,306	(43,527)	(4,389)	(2,031)	(24)	(40,981)
Operating transfers	0	0	0	0	0	0	0
Net income (loss)	\$733	\$146,306	(\$43,527)	(\$4,389)	(\$2,031)	(\$24)	(\$40,981)

Spoon River College District No. 534

Schedule of Operating Revenues and Expenses, by Program (Continued)

Auxiliary Enterprise Fund

For the year ended June 30, 2018

	Athletics	Diesel Tractor Auto Technology	Transportation	Health Insurance	Total
Operating revenues:					
Sales and service fees	\$90,000	\$50,602	\$0	\$0	\$890,421
Student tuition and fees	0	0	0	0	0
Other	0	0	0	362,428	362,428
Interest	0	0	0	0	733
Total revenues	90,000	50,602	0	362,428	1,253,582
Operating expenses:					
Salaries	73,939	0	0	0	168,060
Employee benefits	0	0	0	362,428	376,967
Contractual services	13,891	0	0	0	45,129
General materials and supplies	29,804	46,776	0	0	583,707
Travel and conference/ meeting expenses	50,011	0	0	0	55,022
Fixed charges	2,466	0	0	0	34,107
Other	0	0	0	0	9,982
Total operating expenses	170,111	46,776	0	362,428	1,273,780
Operating income (loss) before operating transfers	(80,111)	3,826	0	0	(20,198)
Operating transfers	0	0	0	0	0
Net income (loss)	(\$80,111)	\$3,826	\$0	\$0	(\$20,198)

Spoon River College District No. 534
Assessed Valuations, Tax Rates, Tax Extensions
and Tax Collections
Levy Years 2017, 2016, and 2015

	2017	2016	2015
Assessed Valuations	\$931,311,632	\$894,299,396	\$867,306,754
Tax Rate (per \$100 assessed valuation):			
Educational Accounts	0.2366	0.2469	0.2410
Bond and Interest Fund	0.2249	0.2126	0.2180
Operations and Maintenance Accounts	0.0481	0.0494	0.0490
Audit Fund	0.0045	0.0047	0.0040
Fire Prevention/Safety/Energy	0.0228	0.0146	0.0148
Liability, Protection, Settlement, and Social Security	0.0772	0.0797	0.0804
Total tax rate	0.6141	0.6079	0.6072
Tax Extensions:			
Educational Accounts	\$2,257,316	\$2,199,883	\$2,076,156
Bond and Interest Fund	2,145,691	1,894,269	1,878,017
Operations and Maintenance Accounts	458,905	440,155	422,123
Audit Fund	42,933	41,877	34,459
Fire Prevention/Safety/Energy	217,527	130,086	127,498
Liability, Protection, Settlement, and Social Security	736,537	710,128	692,626
Total tax extensions	\$5,858,909	\$5,416,398	\$5,230,879
Tax Collections to June 30:			
Educational Accounts	\$944,131	\$2,186,121	\$2,087,456
Bond and Interest Fund	829,141	1,891,071	1,891,386
Operations and Maintenance Accounts	191,872	438,889	424,227
Audit Fund	17,858	41,562	34,352
Fire Prevention/Safety/Energy	348,687	117,914	124,997
Liability, Protection, Settlement, and Social Security	50,270	719,420	698,918
Total tax collections	\$2,381,959	\$5,394,977	\$5,261,336
Percent of extensions collected	40.66%	99.60%	100.58%

State Grant Activity and Schedule of Enrollment Data



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE REQUIREMENTS FOR STATE ADULT EDUCATION AND FAMILY LITERACY AND CAREER AND TECHNICAL EDUCATION-PROGRAM IMPROVEMENT GRANTS

Board of Trustees
Spoon River College District No. 534
Canton, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the State Adult Education and Family Literacy and Career and Technical Education-Program Improvement Grants of Spoon River College District No. 534 (the “College”) as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit also included a review of compliance with the provisions of laws, regulations, contracts, and grants between the College and the State of Illinois and Illinois Community College Board (ICCB).

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Adult Education and Family Literacy and Career and Technical Education-Program Improvement Grants of Spoon River College District No. 534 as of June 30, 2018, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Compliance

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State Adult Education and Family Literacy and Career and Technical Education-Program Improvement Grants and do not purport to, and do not present fairly the financial position of Spoon River College District No. 534 as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Wipfli LLP

Sterling, Illinois
October 12, 2018

Spoon River College District No. 534

Balance Sheet

State Adult Education and Family Literacy Restricted Funds

June 30, 2018

ASSETS	State Basic	State Performance	Total
Cash	\$0	\$0	\$0
Receivables	32,883	21,403	54,286
Total assets	\$32,883	\$21,403	\$54,286

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accrued liabilities	\$1,961	\$1,986	\$3,947
Advances from other funds	30,922	19,417	50,339
Total liabilities	32,883	21,403	54,286
Deferred inflows of resources - Unavailable grant revenue	0	0	0
Fund balance	0	0	0
Total liabilities, deferred inflows of resources, and fund balances	\$32,883	\$21,403	\$54,286

Spoon River College District No. 534

Statement of Revenues, Expenditures and Changes in Fund Balance

State Adult Education and Family Literacy Restricted Funds

For the year ended June 30, 2018

	State Basic	State Performance	Total
Revenues -			
Grant revenue	\$98,650	\$64,210	\$162,860
Expenditures:			
Instruction	87,407	14,224	101,631
Social work services	3,191	0	3,191
Guidance services	9,942	7,613	17,555
Subtotal instructional and student services	100,540	21,837	122,377
General administration	9,750	38,544	48,294
Data and information services	6,698	6,697	13,395
Subtotal program support	16,448	45,241	61,689
Contractual Services	0	1,282	1,282
Total expenditures	116,988	68,360	185,348
Excess of revenues over expenditures	(18,338)	(4,150)	(22,488)
Fund balance at beginning of year	18,338	4,150	22,488
Fund balance at end of year	\$0	\$0	\$0

Spoon River College District No. 534

ICCB Compliance Statement for the Adult Education and Family Literacy
Grant - Expenditure Amounts and Percentages for ICCB Grant Funds Only
State Adult Education Restricted Funds
For the year ended June 30, 2018

State Basic	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% minimum required)	\$87,407	74.71%
General Administration (15% maximum allowed)	\$9,750	8.33%

Spoon River College District No. 534
Balance Sheet
Career and Technical Education Program Improvement Grant
June 30, 2018

ASSETS

Cash	\$0
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LIABILITIES AND FUND BALANCE

Liabilities	\$0
-------------	-----

Fund balance	0
--------------	---

Total liabilities and fund balance	\$0
------------------------------------	-----

Spoon River College District No. 534

Statement of Revenues, Expenditures, and Changes in Fund Balance

Career and Technical Education Program Improvement Grant

For the year ended June 30, 2018

Revenues -	
State sources	\$7,124
<hr/>	
Expenditures -	
Instruction equipment	7,124
<hr/>	
Excess of revenues over expenditures	0
Fund balance at beginning of year	0
<hr/>	
Fund balance at end of year	\$0
<hr/> <hr/>	

Spoon River College District No. 534

Notes to ICCB Grant Programs Financial Statements

Note 1 Summary of Significant Accounting Policies

General

The accompanying statements include only those transactions resulting from the State Adult Education and Family Literacy and Career and Technical Education-Program Improvement Grants. These transactions have been accounted for in the College's Restricted Purpose Fund.

Basis of Accounting

The statements have been prepared on the modified accrual basis of accounting. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2018. Funds obligated for goods must be spent before December 31.

Fixed Assets

Fixed asset purchases are recorded as capital outlay and not capitalized. However, for the Statement of Net Position for the College as a whole, capital assets are capitalized.

Note 2 Payment of Prior Year's Encumbrances

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

Spoon River College District No. 534

Background Information on State Grant Activity

Restricted Adult Education Grants/State

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

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

Restricted Grants

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



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

Board of Trustees
Spoon River College District No. 534
Canton, Illinois

We have examined management of Spoon River College District No. 534's (the "College") assertion that the College complied with the guidelines of the Illinois Community College Board's *Fiscal Management Manual* included in the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed of Spoon River College District No. 534 during the period July 1, 2017 through June 30, 2018. The College's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about the College's compliance with the specified requirement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the College's compliance with the specified requirements.

In our opinion, management's assertion that the College complied with the guidelines of the Illinois Community College Board's *Fiscal Management Manual* included in the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed of Spoon River College District No. 534 is fairly stated, in all material respects.

Wipfli LLP

Sterling, Illinois
October 12, 2018

Spoon River College District No. 534

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

For the year ended June 30, 2018

Total Reimbursable Semester Credit Hours by Term

Credit Hour Categories	Summer Term		Fall Term		Spring Term		Total All Terms	
	Unrestricted Hours	Restricted Hours						
Baccalaureate	1,986.0	0.0	8,865.0	0.0	8,129.0	0.0	18,980.0	0.0
Business Occupational	14.0	0.0	649.0	17.0	306.0	17.0	969.0	34.0
Technical Occupation	287.0	0.0	1,095.0	0.0	1,246.5	0.0	2,628.5	0.0
Health Occupational	423.0	0.0	1,023.5	0.0	1,212.0	0.0	2,658.5	0.0
Remedial Development	52.0	0.0	849.0	0.0	587.0	0.0	1,488.0	0.0
Adult Education	0.0	0.0	0.0	453.0	0.0	459.0	0.0	912.0
	<u>2,762.0</u>	<u>0.0</u>	<u>12,481.5</u>	<u>470.0</u>	<u>11,480.5</u>	<u>476.0</u>	<u>26,724.0</u>	<u>946.0</u>

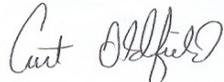
	In-District (All Terms)		Dual Credit (All Terms)		Dual Enrollment (All Terms)	
	Unrestricted Hours	Restricted Hours	Unrestricted Hours	Restricted Hours	Unrestricted Hours	Restricted Hours
Reimbursable Credit Hours:	22,014.5	878.0	2,320.0	0.0	104.0	0.0

Credit Hours on Chargeback or Contractual Agreement: 0.0

District equalized assessed valuation \$894,299,396

Correctional Semester Credit Hours by Term

Credit Hour Categories	Summer	Fall	Spring	Total
	Correctional Hours	Correctional Hours	Correctional Hours	Correctional Hours
Baccalaureate	0.0	0.0	0.0	0.0
Business Occupational	0.0	0.0	0.0	0.0
Technical Occupation	0.0	0.0	0.0	0.0
Health Occupational	0.0	0.0	0.0	0.0
Remedial Development	0.0	0.0	0.0	0.0
Adult Education	0.0	0.0	0.0	0.0
	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

Signature: 

 President

Signature: 

 Chief Financial Officer

Spoon River College District No. 534

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

(Continued)

For the year ended June 30, 2018

Total Reimbursable Semester Credit Hours						
<u>Credit Hour Categories</u>	Total	Total	Difference	Total	Total	Difference
	Reported in Audit Unrestricted Hours	Certified to ICCB Unrestricted Hours		Reported in Audit Restricted Hours	Certified to ICCB Restricted Hours	
Baccalaureate	18,980.0	18,980.0	0.0	0.0	0.0	0.0
Business Occupational	969.0	969.0	0.0	34.0	34.0	0.0
Technical Occupation	2,628.5	2,628.5	0.0	0.0	0.0	0.0
Health Occupational	2,658.5	2,658.5	0.0	0.0	0.0	0.0
Remedial Development	1,488.0	1,488.0	0.0	0.0	0.0	0.0
Adult Education	0.0	0.0	0.0	912.0	912.0	0.0
Total:	26,724.0	26,724.0	0.0	946.0	946.0	0.0

	Total	Total	Difference	Total	Total	Difference
	Reported in Audit Unrestricted Hours	Certified to ICCB Unrestricted Hours		Reported in Audit Restricted Hours	Certified to ICCB Restricted Hours	
In-District Credit Hours:	22,014.5	22,014.5	0.0	878.0	878.0	0.0
Dual Credit Hours:	2,320.0	2,320.0	0.0	0.0	0.0	0.0
Dual Enrollment Hours:	104.0	104.0	0.0	0.0	0.0	0.0

Total Correctional Semester Credit Hours						
<u>Credit Hour Categories</u>	Total	Total	Difference	Total	Total	Difference
	Reported in Audit Unrestricted Hours	Certified to ICCB Unrestricted Hours		Reported in Audit Restricted Hours	Certified to ICCB Restricted Hours	
Baccalaureate	0	0	0	0	0	0
Business Occupational	0	0	0	0	0	0
Technical Occupation	0	0	0	0	0	0
Health Occupational	0	0	0	0	0	0
Remedial Development	0	0	0	0	0	0
Adult Education	0	0	0	0	0	0
Total:	0	0	0	0	0	0

See Notes to Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed.

Spoon River College District No. 534

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

Note 1 Residency Verification Process

Procedures for Verifying and Classifying Residency

A student is considered a resident of Spoon River College District No. 534 if one of the following criteria is met at least 30 days prior to the start of the academic term.

1. The student resides with his/her parents within the district.
2. The student is an emancipated minor, completely self-supporting and residing within the district.
3. The student is married and maintains a family residence within the district.
4. The student is self-supporting as defined by the Federal Office of Education and maintains a residence with the district not operated by an institution or higher education; or
5. The student resides outside the district but work full-time (at least 35 hours per week) within the district.

Students must provide one of the following to verify residency:

- In-district driver's license (if not a licensed driver, a State identification card)
- In-district voter's registration card
- Property tax forms showing taxes paid to Spoon River College District No. 534.
- Letter from employer verifying employment equal to or greater than 35 hours a week at a local in-district employer.
- Concurrent full-time enrollment at Western Illinois University.

Annual Federal Financial Compliance Section



**INDEPENDENT AUDITOR’S 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
Spoon River College District No. 534
Canton, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Spoon River College District No. 534 (the “College”), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated October 12, 2018. The financial statements of Spoon River College Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College’s internal control over financial reporting (“internal control”) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College’s internal control. Accordingly, we do not express an opinion on the effectiveness the College’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wipfli LLP

Sterling, Illinois
October 12, 2018



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

Board of Trustees
Spoon River College District No. 534
Canton, Illinois

Report on Compliance for Each Major Federal Program

We have audited Spoon River College District No. 534’s (the “College”), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the its major federal programs for the year ended June 30, 2018. The College’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the College’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Spoon River College District No. 534 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Wipfli LLP

Sterling, Illinois
October 12, 2018

Spoon River College District No. 534

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Education:				
Pass-through Illinois Community College Board:				
Adult Education:				
Federal Adult Basic	84.002	53401	\$75,700	\$0
Direct awards:				
Student Financial Assistance:				
Federal Supplemental Educational				
Opportunity Grants (m)	84.007	P007AXX1289	55,800	0
Federal Work Study Program (m)	84.033	P033AXX1289	26,752	0
Federal Pell Grant Program (m)	84.063	P063AXX1340	2,777,433	0
Federal Direct Loan Program (m)	84.268	P268KXX1340	1,553,187	0
Total student financial assistance cluster			4,413,172	0
TRIO - Student Support Services	84.042	P042AXX0515	234,194	0
Passed through the Illinois Community College Board:				
Perkins Postsecondary Grants	84.048	CTE53416	87,543	0
Total U.S. Department of Education			\$4,810,609	\$0
Total federal awards expended			\$4,810,609	\$0

(m) Denotes major program

Spoon River College District No. 534

Notes to the Schedule of Expenditures of Federal Awards

Note 1 **Significant Accounting Policy**

Reporting entity and basis of accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Spoon River College District No. 534 (the "College") for the year ended June 30, 2018, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The College elected to not use the 10% de minimis indirect cost rate during the year ended June 30, 2018.

Note 2 **Loan Program**

For the year ended June 30, 2018, the College acted as a pass-through agency for Federal Direct Loans (subsidized and unsubsidized) to students in the amount of \$1,553,187.

Note 3 **Non-cash Assistance**

The College did not expend any federal awards in the form of non-cash assistance during the year ended June 30, 2018.

Spoon River College District No. 534
Schedule of Findings and Questioned Costs

Section II – Financial Statement Findings

A. Internal Control

None

B. Compliance Finding

None

Section III – Federal Award Findings and Questioned Costs

A. Internal Control

None

B. Compliance Findings

None

Spoon River College District No. 534

Summary Schedule of Prior Audit Findings

Prior Year Findings:

June 30, 2017

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

A. Internal Control
None

B. Compliance Finding
None

II. Findings and Questioned Costs for Federal Awards

A. Internal Control
None

B. Compliance Finding
None

Spoon River College District No. 534

Summary Schedule of Prior Audit Findings

June 30, 2016

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

C. Internal Control

Item 2016-001

The College has segregation of duties issues non-routine journal entries. The College's management and the Board will evaluate personnel to maximize segregation of duties. The College has completed its corrective action plan.

D. Compliance Finding

None

IV. Findings and Questioned Costs for Federal Awards

C. Internal Control

None

D. Compliance Finding

None