

Spoon River College District No. 534
Canton, Illinois

Annual Financial Report

Fiscal Years Ended June 30, 2017 and 2016

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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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 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, 2017 and 2016, 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.

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, and Schedule of 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 of America. In our opinion, the annual federal financial compliance section and the supplemental financial information listed under the special reports section of the table of contents are fairly presented in all material respects in relation to the financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Wipfli LLP

Sterling, Illinois
September 19, 2017

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, 2017 and 2016. 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.

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 \$17,642,469. The difference produced an operating loss of \$13,092,824. Net nonoperating revenue of \$14,572,568 and capital contributions of \$1,800,615 offset this loss and resulted in an overall increase in net position of \$3,280,359.
- 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.
- 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.

2016 Financial Highlights

- For the year ended June 30, 2016, the College recorded total operating revenues of \$4,483,353 and total operating expenses of \$17,267,055. The difference produced an operating loss of \$12,783,702. Net nonoperating revenue of \$12,373,182 and capital contributions of \$36,520 offset this loss and resulted in an overall decrease in net position of \$374,000.
- The largest sources of nonoperating revenue included local property taxes of \$5,028,856, state appropriations of \$3,543,428, and federal grants of \$3,433,145.

Spoon River College District No. 534

Management Discussion and Analysis

2016 Financial Highlights (continued)

- Operating revenue accounted for 26% of the College's total revenue, while nonoperating revenues account for the other 74% of the College's total revenue. Operating revenue consisted of tuition and fees net of scholarships totaling \$3,236,653, auxiliary enterprise revenues totaling \$1,245,490, and other miscellaneous revenue of \$1,210.

Financial Analysis of the College as a Whole

The College's financial position is summarized as follows for the years ended June 30, 2017, 2016, and 2015:

	Net Position As of June 30,		Increase (Decrease) 2017-2016	As Restated 2015	Increase (Decrease) 2016-2015
	2017	2016			
Current assets	\$14,842,953	\$14,190,860	\$652,093	\$16,804,721	(\$2,613,861)
Non-current assets -					
Capital assets, net of depreciation	13,657,937	12,211,872	1,446,065	10,715,573	1,496,299
Total assets	28,500,890	26,402,732	2,098,158	27,520,294	(1,117,562)
Deferred outflows of resources	8,405	8,314	91	10,381	(2,067)
Total assets and deferred outflows of resources	28,509,295	26,411,046	2,098,249	27,530,675	(1,119,629)
Current liabilities	4,761,303	4,590,210	171,093	4,162,247	427,963
Non-current liabilities	9,003,503	10,514,574	(1,511,071)	11,945,645	(1,431,071)
Total liabilities	13,764,806	15,104,784	(1,339,978)	16,107,892	(1,003,108)
Deferred inflows of resources	5,392,837	5,234,969	157,868	4,977,490	257,479
Total liabilities and deferred inflows of resources	19,157,643	20,339,753	(1,182,110)	21,085,382	(745,629)
Net position					
Net investment in capital assets	5,401,735	3,966,878	1,434,857	3,589,932	376,946
Restricted	555,757	680,080	(124,323)	2,772,765	(2,092,685)
Unrestricted	3,394,160	1,424,335	1,969,825	82,596	1,341,739
Total	\$9,351,652	\$6,071,293	\$3,280,359	\$6,445,293	(\$374,000)

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 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 decreased \$1,511,071 due to payments on bonds payable.

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

Total net position at June 30, 2017 increased by \$3,280,359. The restricted net position is restricted for \$555,757 of debt service payments, capital projects, and grants and scholarships.

Fiscal Year 2016 Compared to 2015

Current assets decreased \$2,613,861 due to the redemption of CD's and investments to be used as operating funds due to the lack of funding from the state.

Non-current assets increased \$1,496,299 due to the additions in capital assets relating to the construction of the Multipurpose Building.

Current liabilities increased \$427,963 due to an increase in accrued wages and unearned tuition and fees.

Non-current liabilities decreased \$1,431,071 due to payments on bonds payable.

Deferred inflows of resources increased \$257,479 with an increase in deferred property tax revenue.

Total net position at June 30, 2016 decreased by \$374,000. The restricted net position is restricted for \$680,080 of debt service payments and capital projects.

Spoon River College District No. 534

Management Discussion and Analysis

Operating Results for the Year Ended June 30,					
	2017	2016	Increase (Decrease) 2017-2016	As Restated 2015	Increase (Decrease) 2016-2015
Operating revenue:					
Tuition and fees	\$3,293,098	\$3,236,653	\$56,445	\$3,464,610	(\$227,957)
Auxiliary	1,256,547	1,245,490	11,057	1,229,715	15,775
Other operating revenues	0	1,210	(1,210)	27,167	(25,957)
Total operating revenue	4,549,645	4,483,353	66,292	4,721,492	(238,139)
Less operating expenses	17,642,469	17,267,055	375,414	16,408,458	858,597
Operating loss	(13,092,824)	(12,783,702)	(309,122)	(11,686,966)	(1,096,736)
Non-operating revenue					
State grants and contracts	5,432,263	3,543,428	1,888,835	4,279,737	(736,309)
Federal grants and contracts	3,209,868	3,433,145	(223,277)	3,308,561	124,584
Property taxes	5,271,512	5,028,856	242,656	4,841,912	186,944
Replacement taxes	992,263	784,124	208,139	981,331	(197,207)
Investment income	32,102	22,132	9,970	11,754	10,378
Other	76,142	58,632	17,510	49,596	9,036
Interest expense	(441,582)	(497,135)	55,553	(533,992)	36,857
Total net non-operating revenues	14,572,568	12,373,182	2,199,386	12,938,899	(565,717)
Capital contributions	1,800,615	36,520	1,764,095	2,377,326	(2,340,806)
Increase (decrease) in net position	3,280,359	(374,000)	3,654,359	3,629,259	(4,003,259)
Net position, beginning of year as previously reported	6,071,293	6,445,293	(374,000)	3,065,312	3,379,981
Prior period adjustment	0	0	0	(249,278)	249,278
Net position, beginning of year as restated	6,071,293	6,445,293	(374,000)	2,816,034	3,629,259
Net position, end of year	\$9,351,652	\$6,071,293	\$3,280,359	\$6,445,293	(\$374,000)

Total revenues and expenses (Operating and Non-Operating) for the fiscal year 2017 were \$21,364,410 and \$18,084,051, respectively. Fiscal year 2016 total revenues and expenses (Operating and Non-Operating) were \$17,390,190 and \$17,764,190, respectively. Fiscal year 2015 total revenues and expenses (Operating and Non-Operating) were \$20,571,709 and \$16,942,450, respectively.

Spoon River College District No. 534

Management Discussion and Analysis

Fiscal Year 2017 Compared to 2016

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

Operating expenses increased \$375,414 due to an increase in expenses relating to SURS on-behalf payments.

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

Fiscal Year 2016 Compared to 2015

Operating revenue decreased \$238,139 due to a decrease in tuition and fees.

Operating expenses increased \$858,597 due to an increase in expenses relating to institutional support.

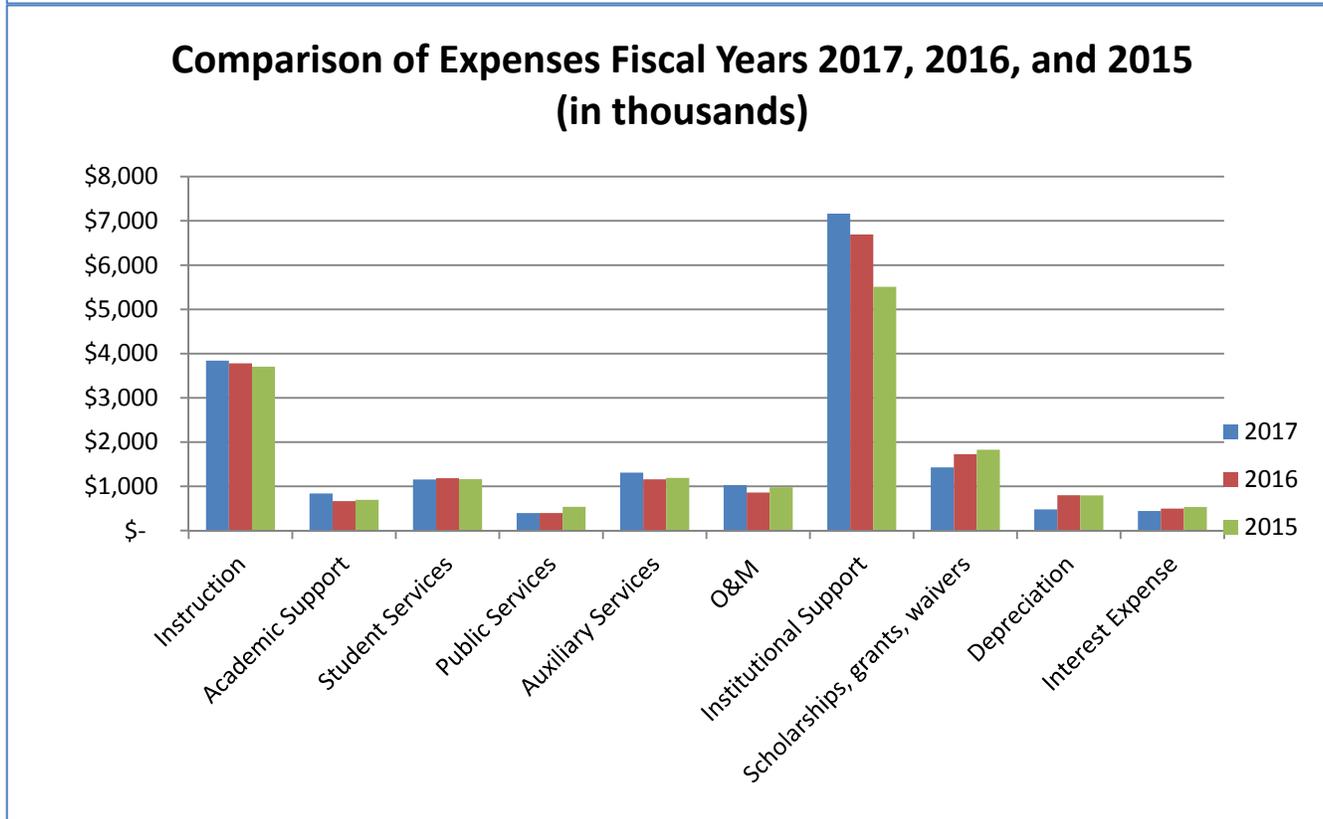
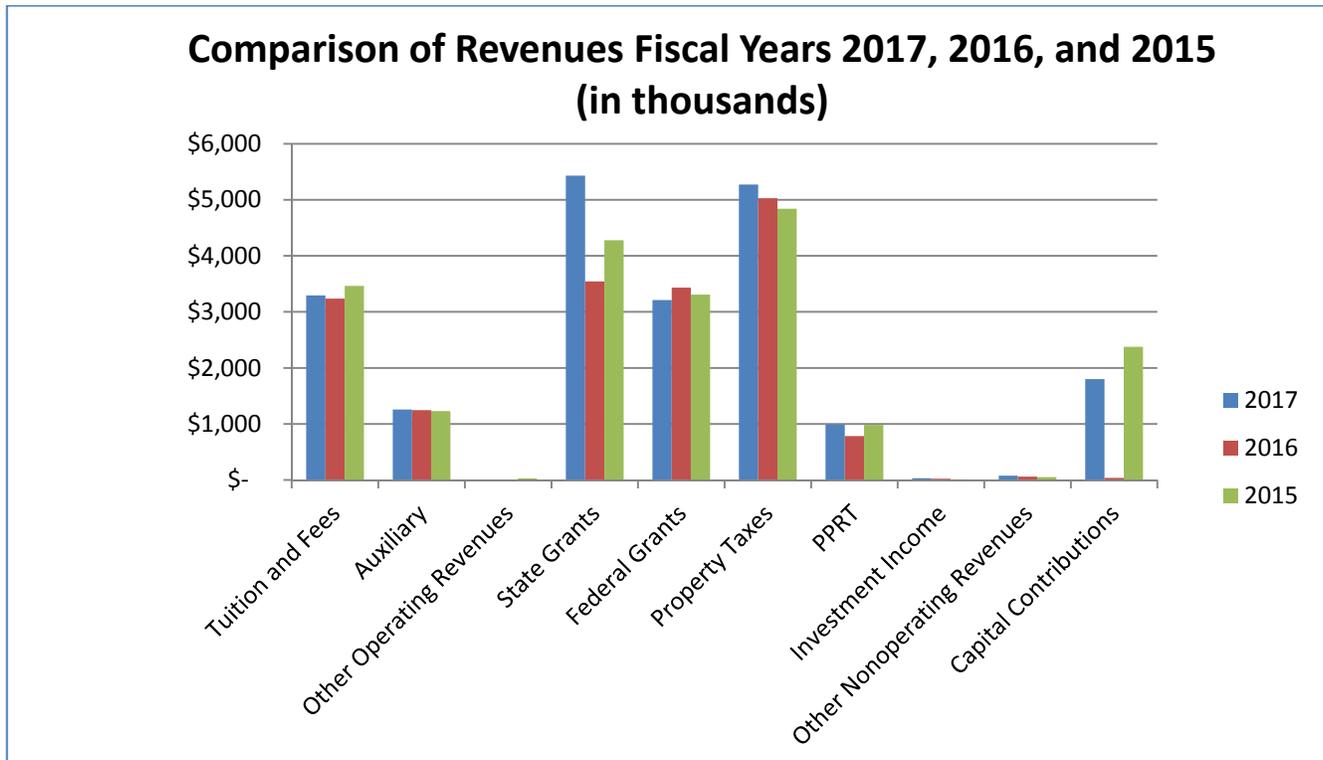
Net nonoperating revenue decreased \$565,717 due to a decrease in base operating grant from the Illinois Community College Board.

Operating Expenses For the Year Ended June 30,

	2017	2016	Increase (Decrease) 2017-2016	As Restated 2015	Increase (Decrease) 2016-2015
Operating expense:					
Instruction	\$3,840,811	\$3,779,775	\$61,036	\$3,706,426	\$73,349
Academic support	839,269	664,939	174,330	695,718	(30,779)
Student services	1,155,008	1,186,065	(31,057)	1,161,193	24,872
Public services	396,461	397,136	(675)	539,444	(142,308)
Auxiliary services	1,310,161	1,158,769	151,392	1,192,503	(33,734)
Operations & maintenance of plant	1,029,045	859,379	169,666	979,429	(120,050)
Institutional support	7,162,740	6,692,324	470,416	5,510,904	1,181,420
Scholarships, grants, waivers	1,427,726	1,727,400	(299,674)	1,827,437	(100,037)
Depreciation	481,248	801,268	(320,020)	795,404	5,864
Total	\$17,642,469	\$17,267,055	\$375,414	\$16,408,458	\$858,597

Spoon River College District No. 534
 Management Discussion and Analysis

The following graphs depict revenues and expense for the years ended June 30, 2017 and 2016:



Spoon River College District No. 534

Management Discussion and Analysis

Capital Assets, Net June 30,					
	2017	2016	Increase (Decrease) 2017-2016	2015	Increase (Decrease) 2016-2015
Capital assets:					
Land and improvements	\$869,115	\$869,115	\$0	\$869,115	\$0
Buildings and improvements	20,187,460	20,187,460	0	20,083,695	103,765
Equipment	574,063	576,595	(2,532)	779,831	(203,236)
Computer technology	2,093,823	2,264,074	(170,251)	2,934,638	(670,564)
Construction in progress	6,726,187	4,831,270	1,894,917	2,669,187	2,162,083
Total	30,450,648	28,728,514	1,722,134	27,336,466	1,392,048
Less accumulated depreciation	16,792,711	16,516,642	276,069	16,620,893	(104,251)
Net capital assets	\$13,657,937	\$12,211,872	\$1,446,065	\$10,715,573	\$1,496,299

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.

Fiscal Year 2016 Compared to 2015

As of June 30, 2016, the College had recorded \$28,728,514 invested in capital assets, \$16,516,642 in accumulated depreciation, and \$12,211,872 in net capital assets. The College had \$2,410,489 in capital asset additions mostly related to the construction of the new Multipurpose Building and \$1,018,441 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,					
	2017	2016	Increase (Decrease) 2017-2016	As Restated 2015	Increase (Decrease) 2016-2015
General obligation bonds	\$10,514,574	\$11,945,645	(\$1,431,071)	\$13,271,531	(\$1,325,886)
Compensated absences	298,477	271,518	26,959	258,765	12,753
Total	\$10,813,051	\$12,217,163	(\$1,404,112)	\$13,530,296	(\$1,313,133)

Spoon River College District No. 534

Management Discussion and Analysis

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.

Fiscal Year 2016 Compared to 2015

During fiscal year 2016, the College paid \$1,275,000 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 2018.

Property tax revenue in the Operating Funds has increased roughly 4.8% for fiscal year 2017, after a 3.9% increase in fiscal year 2016. The District experienced a 3.1% increase in equalized assessed valuation (EAV) from tax year 2015 to 2016. For fiscal year 2018, the District has estimated a 1.5% 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 5% decrease in tuition revenue in fiscal year 2018 based on estimated 7% decrease in credit hour enrollment for the 2017-2018 academic year, combined with a \$10 increase in tuition.

The State of Illinois adopted a budget for fiscal year 2018 via legislative override of Governor Bruce Rauner's veto on July 6, 2017. Expected State appropriations for the District for fiscal year 2018 are \$153,000 less than the fiscal year 2017 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 \$90,000 in fiscal year 2018. Overall, Operating funds revenue is expected to decrease by \$95,000, or 1%, from fiscal year 2017 actual levels to fiscal year 2018.

For fiscal year 2018, the Operating funds budget includes expenditures in excess of revenues in the amount of \$245,350. The majority of the Operating funds budget for fiscal year 2018 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, 2017 and 2016

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	\$1,058,370	\$822,711
Investments	6,586,466	7,232,400
Property taxes receivable, net of allowance	3,114,773	2,995,675
Other receivables, net of allowance	3,624,563	2,759,978
Prepaid items	81,754	102,254
Inventories	377,027	277,842
Total current assets	14,842,953	14,190,860
Noncurrent assets:		
Non-depreciable capital assets	7,485,225	5,590,308
Depreciable capital assets	22,965,423	23,138,206
Less accumulated depreciation	(16,792,711)	(16,516,642)
Total noncurrent assets	13,657,937	12,211,872
Total assets	28,500,890	26,402,732
DEFERRED OUTFLOW OF RESOURCES		
SURS pension contribution	8,405	8,314
Total assets and deferred outflows of resources	28,509,295	26,411,046
LIABILITIES		
Current liabilities:		
Accounts payable	293,750	217,658
Accrued liabilities	488,225	506,137
Unearned tuition and fees	2,168,360	2,163,826
Accrued compensated absences	298,477	271,518
Other accounts payable	1,420	0
Bonds payable, net of unamortized premiums (discounts)	1,511,071	1,431,071
Total current liabilities	4,761,303	4,590,210
Noncurrent liabilities:		
Bonds payable, net of unamortized premiums (discounts)	9,003,503	10,514,574
Total noncurrent liabilities	9,003,503	10,514,574
Total liabilities	13,764,806	15,104,784
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes	5,375,340	5,215,366
Deferred grant revenue	17,497	19,603
Total deferred inflows of resources	5,392,837	5,234,969
Total liabilities and deferred inflows of resources	19,157,643	20,339,753
NET POSITION		
Net investment in capital assets	5,401,735	3,966,878
Restricted - expendable:		
Capital projects	501,868	671,096
Debt service	26,881	8,984
Grants and scholarships	27,008	0
Unrestricted	3,394,160	1,424,335
Total net position	\$9,351,652	\$6,071,293

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, 2017 and 2016

	2017	2016
Operating revenues:		
Student tuition and fees, net of scholarship allowances of \$1,762,985 and \$1,609,785, respectively	\$3,293,098	\$3,236,653
Auxiliary enterprises revenue	1,256,547	1,245,490
Other operating revenues		1,210
Total operating revenue	4,549,645	4,483,353
Operating expenses:		
Instruction	3,840,811	3,779,775
Academic support	839,269	664,939
Student services	1,155,008	1,186,065
Public services	396,461	397,136
Auxiliary services	1,310,161	1,158,769
Operation and maintenance of plant	1,029,045	859,379
Institutional support	7,162,740	6,692,324
Scholarships, student grants, and waivers	1,427,726	1,727,400
Depreciation	481,248	801,268
Total operating expenses	17,642,469	17,267,055
Operating loss	(13,092,824)	(12,783,702)
Nonoperating revenues and (expenses):		
State grants	5,432,263	3,543,428
Federal grants	3,209,868	3,433,145
Property taxes	5,271,512	5,028,856
Personal property replacement tax	992,263	784,124
Local grants	62,514	42,942
Investment income	32,102	22,132
Other nonoperating revenues	13,628	15,690
Interest expense	(441,582)	(497,135)
Net nonoperating revenues and (expenses)	14,572,568	12,373,182
Capital contributions - Capital grants and gifts	1,800,615	36,520
Change in net position	3,280,359	(374,000)
Net position, beginning of year	6,071,293	6,445,293
Net position, end of year	\$9,351,652	\$6,071,293

See Notes to Financial Statements.

Spoon River College District No. 534

Statements of Cash Flows

For the years ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$5,084,696	\$4,917,174
Payments to suppliers	(5,550,065)	(5,243,497)
Payments to employees	(6,379,027)	(6,303,574)
Payments to students for scholarships	(3,190,711)	(3,337,185)
Auxiliary enterprise charges	1,256,547	1,245,490
Net cash used in operating activities	(8,778,560)	(8,721,592)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Proceeds from property taxes	5,312,388	5,518,341
Replacement tax	992,263	784,124
Proceeds from grants	5,653,915	4,544,172
Other nonoperating	182,351	17,153
Net cash provided by noncapital financing activities	12,140,917	10,863,790
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(1,927,313)	(2,410,489)
Loss on disposal of capital assets		112,922
Principal paid on capital debt	(1,385,000)	(1,275,000)
Interest paid on bonds payable and other long-term obligations	(492,421)	(549,599)
Net cash used in capital and related financing activities	(3,804,734)	(4,122,166)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in investments	645,935	(1,892,042)
Interest on investments	32,101	22,132
Net cash used in investing activities	678,036	(1,869,910)
Net increase (decrease) in cash and cash equivalents	235,659	(3,849,878)
CASH AND CASH EQUIVALENTS:		
Beginning of year	822,711	4,672,589
End of year	\$1,058,370	\$822,711

See Notes to Financial Statements.

Spoon River College District No. 534

Statements of Cash Flows - (Continued)

For the years ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED		
IN OPERATING ACTIVITIES:		
Operating loss	(\$13,092,824)	(\$12,783,702)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	481,248	801,268
State on-behalf payments for fringe benefits	3,791,852	3,028,840
Changes in assets and liabilities:		
Receivables	24,079	(74,807)
Prepaid expenses	20,500	(30,956)
Inventories	(99,185)	11,342
Deferred outflows of resources	(91)	2,067
Accounts payable	77,512	40,998
Accrued liabilities	(13,144)	126,272
Accrued compensated absences	26,959	12,753
Unearned tuition and fees	4,534	144,333
Other unearned revenue	0	0
Net cash used in operating activities	(\$8,778,560)	(\$8,721,592)
NONCASH INVESTING, CAPITAL, AND FINANCIAL:		
Acquisition of capital assets with state capital contributions	\$1,800,615	\$36,520
STATE ON-BEHALF PAYMENTS	\$3,791,852	\$3,028,840

See Notes to Financial Statements.

Spoon River College District No. 534
 Component Unit - Spoon River College Foundation
 Statements of Financial Position
 June 30, 2017 and 2016

ASSETS	2017	2016
Cash	\$577,046	\$551,261
Investments	2,257,597	1,982,189
Receivables, net	15,627	14,411
Beneficial interest in perpetual trusts	801,326	768,500
Capital assets, non-depreciable	40,000	0
Total assets	\$3,691,596	\$3,316,361
LIABILITIES		
Accounts payable	\$18,658	\$1,136
Total liabilities	18,658	1,136
NET ASSETS		
Unrestricted	119,215	64,521
Temporarily restricted	1,079,064	882,185
Permanently restricted	2,474,659	2,368,519
Total net assets	3,672,938	3,315,225
Total liabilities and net assets	\$3,691,596	\$3,316,361

See Notes to Financial Statements.

Spoon River College District No. 534
 Component Unit - Spoon River College Foundation
 Statement of Activities
 For the years ended June 30, 2017 and 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, gains, and other support received:				
Contributions	\$95,416	\$212,893	\$43,750	\$352,059
In-kind	76,194			76,194
Interest and dividends		41,976		41,976
Net realized gain (loss) on investments		104,716		104,716
Net unrealized gain (loss) on investments		44,306		44,306
Unrealized gain (loss) on beneficial interest in trusts			32,826	32,826
Net assets reclassified	(12,052)	(17,512)	29,564	0
Net assets released from restrictions	189,500	(189,500)		0
Total revenue, gains, and other support received	349,058	196,879	106,140	652,077
Expenses:				
Program services	173,940			173,940
Supporting services	120,424			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 previously reported	64,521	882,185	2,368,519	3,315,225
Change in accounting principle	0	0	0	0
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.

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$41,459	\$233,298	\$62,641	\$337,398
89,936			89,936
	48,351		48,351
	(232)		(232)
	(37,930)		(37,930)
		(24,600)	(24,600)
	(28,205)	28,205	0
177,128	(177,128)		0
308,523	38,154	66,246	412,923
162,516			162,516
130,202			130,202
			0
292,718	0	0	292,718
15,805	38,154	66,246	120,205
43,361	550,443	1,509,173	2,102,977
5,355	293,588	793,100	1,092,043
48,716	844,031	2,302,273	3,195,020
\$64,521	\$882,185	\$2,368,519	\$3,315,225

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 8) 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:

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.

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.

Spoon River College District No. 534

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Receivables (continued)

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, 2017 and 2016 were \$1,311,697 and \$1,282,461, 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 2015 and 2014 are to be recognized as revenue in fiscal years 2017 and 2016, 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 2016 levy which was passed by the Board on December 7, 2016.

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 and related benefits

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

Deferred inflows and outflows of resources

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

Classification of revenues and expenses

Operating revenues include activities that have the characteristics of exchange transactions, such as (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.

Spoon River College District No. 534

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

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 2017 and 2016, the state made contributions of \$3,791,852 and \$3,028,840, respectively (Note 5).

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.

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.

Spoon River College District No. 534

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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, 2017 consist of the following:

	<u>Carrying Amount</u>	
	<u>2017</u>	<u>2016</u>
Cash on hand	\$7,267	\$9,613
Deposits with financial institutions	1,051,103	813,098
Total	\$1,058,370	\$822,711

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

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investments at June 30, 2017 and 2016 comprise the following at fair value:

	<u>2017</u>	<u>2016</u>
Illinois School District Liquid Asset Fund	\$3,594,501	\$3,920,159
Local Government Investment Pool	276,089	532,714
Goldman Sachs Financial Square Prime Obligations Fund	2,715,876	2,779,527
	\$6,586,466	\$7,232,400

Spoon River College District No. 534

Notes to Financial Statements

Note 2 Cash and Investments (continued):

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			
Local Government Investment Pool	276,089	276,089			
Goldman Sachs Financial Square Prime Obligations Fund	2,715,876	2,715,876			
Total	\$6,586,466	\$6,586,466	\$0	\$0	\$0

As of June 30, 2016, 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	\$3,920,159	\$3,920,159			
Local Government Investment Pool	532,714	532,714			
Goldman Sachs Financial Square Prime Obligations Fund	2,779,527	2,779,527			
Total	\$7,232,400	\$7,232,400	\$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			
Local Government Investment Pool	276,089	276,089			
Goldman Sachs Financial Square Prime Obligations Fund	2,715,876	2,715,876			
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, 2016, 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	\$3,920,159	\$3,920,159			
Local Government Investment Pool	532,714	532,714			
Goldman Sachs Financial Square Prime Obligations Fund	2,779,527	2,779,527			
Total	\$7,232,400	\$7,232,400	\$0	\$0	\$3,686,400

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, 2017 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 \$1,051,103 and the bank balance was \$1,053,024. Of the bank balance, \$406,513 was covered by federal depository insurance; \$646,511 was collateralized with securities held by the pledging financial institution's trust department or agent in the College's name. All deposits were fully collateralized.

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 does not have a concentration risk policy. The College has no investments that represent 5 percent or more of the total investments.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The College does not have a foreign currency risk policy. The College does not have any investments with foreign currency risk exposure.

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, 2017, is as follows:

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

Construction in progress represents costs incurred to construct a new multi-purpose facility at the Canton Campus. Total costs are estimated to be \$7,445,133 of which \$4,929,940 will be paid by a capital grant from the Illinois Capital Development Board. Costs paid by the Capital Development Board as of June 30, 2017 total \$4,132,810.

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, 2017 was \$432,173.

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

	Balance at July 1, 2015	Additions	Deletions	Transfers	Balance at June 30, 2016
Nondepreciable assets:					
Land	\$759,038				\$759,038
Construction in progress	2,669,187	\$2,162,083			4,831,270
	3,428,225	2,162,083	\$0	\$0	5,590,308
Depreciable assets:					
Land improvements	110,077				110,077
Buildings and improvements	20,083,695	106,765			20,187,460
Equipment	779,831	123,715	(326,951)		576,595
Computer technology	2,934,638	20,926	(691,490)		2,264,074
	23,908,241	248,406	(1,018,441)	0	23,138,206
Less accumulated depreciation:					
Land improvements	105,808	512			106,320
Buildings and improvements	13,477,924	502,222			13,980,146
Equipment	580,451	87,802	(265,331)		402,922
Computer technology	2,456,710	210,732	(640,188)		2,027,254
	16,620,893	801,268	(905,519)	0	16,516,642
Depreciable assets, net	7,287,348	(552,862)	(112,922)	0	6,621,564
Capital assets, net	\$10,715,573	\$1,609,221	(\$112,922)	\$0	\$12,211,872

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, 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		\$1,385,000	\$10,320,000	\$1,465,000	\$8,855,000
Bond premiums (discounts)	240,645		46,071	194,574	46,071	148,503
Total Bonded Debt	11,945,645		1,431,071	10,514,574	1,511,071	9,003,503
Compensated absences	271,518	\$307,442	280,483	298,477	298,477	
Totals	\$12,217,163	\$307,442	\$1,711,554	\$10,813,051	\$1,809,548	\$9,003,503

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, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016	Current Portion	Long-term Portion
Long-term debt:						
General obligation bonds	\$12,980,000		\$1,275,000	\$11,705,000	\$1,385,000	\$10,320,000
Bond premiums (discounts)	291,531		50,886	240,645	46,071	194,574
Total bonded debt	13,271,531		1,325,886	11,945,645	1,431,071	10,514,574
Compensated absences	258,765	\$102,480	89,727	271,518	271,518	
Totals	\$13,530,296	\$102,480	\$1,415,613	\$12,217,163	\$1,702,589	\$10,514,574

Details on the debt as of June 30, 2017 are as follows:

1. In July 2006, the College issued General Obligation Community College Bonds, Series 2006, totaling \$2,000,000 with interest rates ranging from 5.05% to 5.35%. The bonds are due serially beginning in 2008 through 2017. The proceeds were used to redeem General Obligation Debt Certificates (Limited Tax), Series 2006. 100% of the bond proceeds were used for the purchase of capital assets. The Series 2006 bond was paid off during the year ending June 30, 2017.
2. 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 annual debt service requirements on these bonds are due as follows:

	Principal	Interest	Total
During the year ending June 30:			
2018	\$750,000	\$240,105	\$990,105
2019	815,000	197,067	1,012,067
2020	880,000	150,675	1,030,675
2021	940,000	107,190	1,047,190
2022	1,005,000	66,580	1,071,580
2023	1,070,000	22,738	1,092,738
Totals	\$5,460,000	\$784,355	\$6,244,355

Spoon River College District No. 534

Notes to Financial Statements

Note 4 Debt (continued):

3. 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:			
2018	\$390,000	\$82,575	\$472,575
2019	410,000	61,072	471,072
2020	430,000	37,855	467,855
2021	455,000	12,854	467,854
Totals	\$1,685,000	\$194,356	\$1,879,356

4. 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 (67.29%) 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:			
2018	\$325,000	\$106,163	\$431,163
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
2023-2024	2,125,000	109,875	2,234,875
Totals	\$3,175,000	\$608,325	\$3,783,325

The annual requirements to amortize all debt outstanding as of June 30, 2017, including interest, are as follows:

Year Ending June 30,	General Obligation Bonds	Compensated Absences	Total Principal	Interest	Total Principal And Interest
2018	\$1,465,000	\$298,477	\$1,763,477	\$428,843	\$2,192,320
2019	1,300,000		1,300,000	360,851	1,660,851
2020	1,385,000		1,385,000	289,180	1,674,180
2021	1,470,000		1,470,000	218,594	1,688,594
2022	1,505,000		1,505,000	156,955	1,661,955
2023-2024	3,195,000		3,195,000	132,613	3,327,613
Total	\$10,320,000	\$298,477	\$10,618,477	\$1,587,036	\$12,205,513

Spoon River College District No. 534

Notes to Financial Statements

Note 4 **Debt (continued):**

The general obligation bonded debt of the College is limited to 2.875% of assessed valuation. The legal debt limit at June 30, 2017, is \$25,711,108. General obligation debt at June 30, 2017, is \$10,320,000 resulting in a legal debt margin of \$15,391,108.

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, 2016 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 2016 and 2017 respectively, was 12.69% and 12.53% 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

At June 30, 2016, SURS reported a net pension liability (NPL) of \$25,965,271,744. The net pension liability was measured as of June 30, 2015.

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 \$38,063,665 or 0.1466%. This amount should not be recognized in the financial statement. The net pension liability and total pension liability as of June 30, 2016 was determined based on the June 30, 2015 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 2016.

Pension Expense

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

Employer Proportionate Share of Pension Expense

The employer proportionate share of collective pension expense should be recognized similarly to on-behalf payments as both revenue and matching expenditure in the financial statements. The basis of allocation used in the proportionate share of collective pension expense is the actual reported pensionable contributions made to SURS during fiscal year 2016. As a result, the College recognized on-behalf revenue and pension expense of \$3,761,857 for the fiscal year ended June 30, 2017.

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$14,215,882	\$2,298,574
Changes in assumption	655,463,758	0
Net difference between projected and actual earnings on pension plan investments	1,431,081,306	635,552,976
Total	\$2,100,760,946	\$637,851,550

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>
2017	\$539,536,680
2018	275,426,885
2019	401,520,624
2020	246,425,207
Total	\$1,462,909,396

Employer Deferral of Fiscal Year 2017 Pension Expense

The College paid \$8,405 in federal, trust or grant contributions for the fiscal year ended June 30, 2017. These contributions were made subsequent to the pension liability date of June 30, 2016 and are recognized as Deferred Outflows of Resources as of June 30, 2017.

Assumptions and Other Inputs

Actuarial assumptions. The actuarial assumptions used in the June 30, 2016 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, 2016 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, 2016, these best estimates are summarized in the following table:

Spoon River College District No. 534

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%	6.95%
Global Equity	8%	6.78%
Fixed Income	19%	1.17%
Treasury-Inflation Protected Securities	4%	1.41%
Emerging Market Debt	3%	4.44%
Real Estate REITS	4%	5.75%
Direct Real Estate	6%	4.62%
Commodities	2%	4.23%
Hedged Strategies	5%	4.00%
Opportunity Fund	1%	<u>6.54%</u>
Total	100%	5.09%
Inflation		<u>2.75%</u>
Expected Arithmetic Return		7.84%

Discount Rate. A single discount rate of 7.010% was used to measure the total pension liability. This single discount rate was based on an expected rate of return on pension plan investments of 7.250% and a municipal bond rate of 2.85% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). The projection of cash flows used to determine this single discount rate were the amounts of contributions attributable to current plan members and assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the statutory contribution rates under the System's funding policy. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2073. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2073, and the municipal bond rate was applied to all benefit payments after that date.

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

1% Decrease 6.01%	Current Single Discount Rate Assumption 7.01%	1% Increase 8.01%
\$31,348,831,631	\$25,965,271,744	\$21,502,421,700

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 **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 7 **Contingencies and Commitments:**

The College had an operating lease commitment for space rental through fiscal year 2018. However, during fiscal year 2017, there was a gas explosion where the office space was located. As a result, the office space is no longer inhabitable and thus, there are no remaining commitments under the operating lease agreement as of June 30, 2017. Fiscal year 2017 facilities rent expense was \$7,414.

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>
2018	\$17,040
2019	17,040
2020	23,880
<u>Total</u>	<u>\$39,600</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 2014, the College entered into a contract with the Illinois Capital Development Board for the construction of the new Multipurpose Building with estimated total cost of \$7,445,133. The contract states that the Capital Development Board is to pay \$4,929,940, and the College's portion is \$3,150,000 which was put in a trust account. As of June 30, 2017, the balance of the College's trust account was \$432,173 which represents the College's portion of remaining costs relating to the project. The total remaining project costs as of June 30, 2017 was \$535,064. The project is expected to be completed in 2018 pending budget restraints from the Capital Development Board.

Spoon River College District No. 534

Notes to Financial Statements

Note 8 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.

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. Refer to Note 6 for additional information pertaining to temporarily restricted net assets.

Permanently Restricted Net Assets – Includes net assets that are permanently restricted by the donors and cannot be expended. Refer to Note 7 for additional information pertaining to permanently restricted net assets.

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Contributions and Revenues

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

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

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

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, 2017, there were promises to give to the Foundation in the amount of \$15,627.

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.

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Income Taxes (continued)

Tax positions are not offset or aggregated with other positions. Tax positions that meet the “more likely than not” recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits 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, 2014.

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, 2017, the Foundation's capital assets consists of land which is not depreciable.

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

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 \$76,194.

Estimates

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

Subsequent Events

The Foundation has evaluated subsequent events through September 19, 2017, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2017 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.

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Investments:

All investments are carried by the Foundation at fair market value. The investments at June 30, 2017 consisted of the following:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market	\$71,553	\$71,553	\$0
Certificates of deposit	265,320	265,320	0
Mutual funds	109,232	106,760	2,472
Equities	1,215,896	931,857	284,039
Bonds and notes	595,596	589,476	6,120
	<u>\$2,257,597</u>	<u>\$1,964,966</u>	<u>\$292,631</u>

Capital Assets:

At June 30, 2017, 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 the fiscal year, the Foundation purchased land from the College for \$10 to lease to a company that is going to build new 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.

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Endowment Funds (continued):

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.

The endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Donor-restricted endowment funds	\$0	\$690,960	\$1,673,333	\$2,364,293

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Endowment Funds (continued):

Changes in endowment net assets as of June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Assets
Endowment net assets	\$0	\$526,761	\$1,600,019	\$2,345,903
Investment return:				
Interest income	0	41,976	0	48,351
Net appreciation (realized and unrealized) on investments	0	149,022	0	(38,162)
Total investment return	0	190,998	0	10,189
Contributions	0	55,200	43,750	112,206
Net assets reclassified		(19,014)	29,564	8,338
Appropriation of endowment assets for expenditure	0	(62,985)	0	(49,119)
Endowment net assets, end of year	\$0	\$690,960	\$1,673,333	\$2,364,293

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, 2017.

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.

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.

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Endowment Funds (continued):

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 \$286,949 as of June 30, 2017. 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 \$55,759 as of June 30, 2017. 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 \$11,253 as of June 30, 2017. 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 \$26,553 as of June 30, 2017. 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 \$420,812 as of June 30, 2017. The change in fair value is recorded on the statement of activities.

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 \$1,736 for uncollectible pledges. The breakdown of pledges receivable as of June 30, 2017 is as follows:

Due in one year or less	\$17,363
Less allowance for uncollectible pledges	(1,736)
<hr/>	
Donation receivables	\$15,627
<hr/>	

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

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, 2017:

	Total	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Mutual funds	\$109,232	\$109,232		
Equities	1,215,896	1,215,896		
Bonds and notes	595,596		\$595,596	
Beneficial interest in perpetual trusts	801,326			\$801,326
Total fair value measurements	\$2,722,050	\$1,325,128	\$595,596	\$801,326

Reconciliation of assets measured using Level 3 inputs as of June 30, 2017:

Balance, beginning of year	\$768,500
Gains (Losses)	39,816
Purchases	9,556
Distributions and fees	(16,546)
Balance, end of year	\$801,326

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

Fair Value Measurements (continued):

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, 2017. 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>\$1,079,064</u>
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Permanently Restricted Net Assets:

Permanently restricted net assets are restricted to be held as investments, with a portion of earnings to be added to permanently restricted net assets and a portion of earnings to be used for scholarships and awards to students as well as College support. Earnings which are used for scholarships to students are temporarily restricted until such earnings are used for scholarships to students as specified by the donor, at which time they are reclassified as unrestricted. As of June 30, 2017 permanently restricted net assets totaled \$2,474,659.

Spoon River College District No. 534

Notes to Financial Statements

Note 8. Component Unit Disclosures (continued):

Spoon River College Foundation (continued)

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, 2017 for scholarships, awards and institutional support totaled \$189,500.

The Foundation also reclassified temporarily restricted funds of \$17,512 and \$12,052 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, \$74,862 was expended for scholarships, and \$143,489 was expended for institutional support. As of June 30, 2017, the Foundation had payables to the College in the amount of \$18,658.

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 \$76,194 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. In addition, the College gifted land to the Foundation \$10 during fiscal year 2017. The gifted land is consisted of donated land carried at the approximate fair value at the date of the donation.

Commitments:

As of June 30, 2017, the Foundation is committed to paying scholarships of approximately \$58,725 awarded in 2017, but not yet payable until the students enroll and attend classes.

Spoon River College District No. 534

Notes to Financial Statements

Note 9 Impact of Pending Accounting Pronouncements:

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

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The College has not determined the effect of this Statement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* amends the required the presentation to include the covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. The requirements of this Statement are effective for reporting period in which the measurement date of the pension liability is after June 15, 2017. The College has not determined the effect of this Statement.

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 period in which the measurement date of the pension liability is 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. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post-employment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The College has not determined the effect of this Statement.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The College has not determined the effect of this Statement.

Spoon River College District No. 534

Notes to Financial Statements

Note 9 **Impact of Pending Accounting Pronouncements (continued):**

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.

Note 10 **Subsequent Event:**

The College has evaluated subsequent events through September 19, 2017, which is the date these financial statement were available to be issued. All subsequent events requiring recognition as of June 30, 2017 have been incorporated herein. There are no other subsequent events that require disclosure.

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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion percentage of the collective net pension liability	0%	0%	0%							
Proportion amount of the collective net pension liability	\$0	\$0	\$0							
Portion of nonemployer contributing entities' total proportion of collective net pension liability associated with the College	\$38,063,665	\$35,750,486	\$34,007,812							
College DB covered-employee payroll	\$5,311,468	\$5,507,779	\$5,710,878							
Proportion of collective net pension liability associated with the College as a percentage of covered-employee payroll	716.63%	649.09%	595.49%							
SURS plan net position as a percentage of total pension liability	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 Contributions
 Last 10 Fiscal Years
 (Schedule to be Built Prospectively from 2014)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Federal, trust, grant and other contribution	\$8,405	\$8,314	\$10,381	\$3,361						
Contribution in relation to required contribution	8,405	8,314	10,381	3,361						
Contribution deficiency (excess)	\$0	\$0	\$0	\$0						
College covered-employee payroll	\$5,553,295	\$5,448,552	\$5,507,779	\$5,710,878						
Contribution as a percentage of covered-employee payroll	0.15%	0.15%	0.19%	0.06%						
Additional information:										
On-behalf payments for community college health insurance program	\$29,995	\$27,225	\$27,656	\$28,053						

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

Notes to Required Supplementary Information

Note 1 Changes of Benefit Terms:

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

Note 2 Changes of Assumptions:

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

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

Supplemental Financial Information

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 prescribed by the NCGA Statement No. 1 and related interpretations.

The Uniform Financial Statements include the following:

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

Certificate of Chargeback Reimbursement

- No. 6 - Certificate of Chargeback Reimbursement

Spoon River College District No. 534

Uniform Financial Statement #1

All Funds Summary

For the year ended June 30, 2017

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)
Fund balance (deficit) at July 1, 2016	\$3,465,558	\$0	\$671,096
Revenue:			
Local taxes	2,091,158	425,076	125,303
All other local government	664,816	327,447	
ICCB grants	1,123,658	326,856	
All other state revenue			1,800,615
Federal revenue	3,875		
Student tuition and fees	5,066,792		
All other revenue	34,469	6,758	913
Total revenue	8,984,768	1,086,137	1,926,831
Expenditures:			
Instruction	3,493,526		
Academic support	839,269		
Student services	909,371		
Public service	333,949		
Auxiliary services			
Operation and maintenance		1,004,015	25,030
Institutional support	2,567,757		
Scholarships, student grants, and waivers	385,536		
Building construction, building improvements, and equipment	54,909		1,861,529
Total expenditures	8,584,317	1,004,015	1,886,559
Net transfers	209,500	0	(209,500)
Fund balance (deficit) at June 30, 2017	\$4,075,509	\$82,122	\$501,868

Spoon River College District No. 534
Uniform Financial Statement #1 (Continued)
All Funds Summary
For the year ended June 30, 2017

	Bond and Interest Fund	Auxiliary Enterprise Fund	Health Insurance Fund	Restricted Purpose Fund
Fund balance (deficit) at July 1, 2016	\$8,984	\$140,197	\$0	\$29,213
Revenue:				
Local taxes	1,895,086			
ICCB grants				189,897
All other state revenue				
Federal revenue				3,205,993
All other revenue	232	2,688,645	401,499	62,514
Total revenue	1,895,318	2,688,645	401,499	3,458,404
Expenditures:				
Instruction				347,285
Academic support				
Student services				245,637
Public service				62,512
Auxiliary services		2,742,051	401,499	
Scholarships, student grants, and waivers				2,805,175
Principal retirement	1,385,000			
Interest and issuance costs	492,421			
Building construction, building improvements, and equipment				
Total expenditures	1,877,421	2,742,051	401,499	3,460,609
Net transfers	0	0	0	0
Fund balance (deficit) at June 30, 2017	\$26,881	\$86,791	\$0	\$27,008

Spoon River College District No. 534
Uniform Financial Statement #1 (Continued)
All Funds Summary
For the year ended June 30, 2017

	Audit Fund	Liability, Protection, and Settlement Fund	Total
Fund balance (deficit) at July 1, 2016	\$61,743	\$1,192,601	\$5,569,392
Revenue:			
Local taxes	34,428	700,461	5,271,512
All other local government			992,263
ICCB grants			1,640,411
All other state revenue			1,800,615
Federal revenue			3,209,868
Student tuition and fees			5,066,792
All other revenue	4	3,146	3,198,180
Total revenue	34,432	703,607	21,179,641
Expenditures:			
Instruction			3,840,811
Academic support			839,269
Student services			1,155,008
Public service			396,461
Auxiliary services			3,143,550
Operation and maintenance			1,029,045
Institutional support	34,225	768,997	3,370,979
Scholarships, student grants, and waivers			3,190,711
Principal retirement			1,385,000
Interest and issuance costs			492,421
Building construction, building improvements, and equipment		10,875	1,927,313
Total expenditures	34,225	779,872	20,770,568
Net Transfers	0	0	0
Fund balance (deficit) at June 30, 2017	\$61,950	\$1,116,336	\$5,978,465

Spoon River College District No. 534

Uniform Financial Statement #2

Summary of Fixed Assets and Debt

For the year ended June 30, 2017

	Fixed Assets/ Debt Account Groups July 1, 2016	Additions	Deletions	Reclassification	Fixed Assets/ Debt Account Groups June 30, 2017
Fixed assets:					
Land	\$759,038				\$759,038
Land improvements	110,077				110,077
Buildings and improvements	20,187,460				20,187,460
Equipment	576,595	\$7,752	(\$10,284)		574,063
Computer technology	2,264,074	24,644	(194,895)		2,093,823
Construction in process	4,831,270	1,894,917			6,726,187
Total fixed assets	28,728,514	1,927,313	(205,179)	\$0	30,450,648
Accumulated depreciation	16,516,642	481,248	(205,179)		16,792,711
Total net fixed assets	\$12,211,872	\$1,446,065	\$0	\$0	\$13,657,937
Fixed debts:					
Bonds payable	\$11,705,000		(\$1,385,000)		\$10,320,000
Bond premium	240,645		(46,071)		194,574
Other fixed liabilities	271,518	\$307,442	(280,483)		298,477
Total fixed debts	\$12,217,163	\$307,442	(\$1,711,554)	\$0	\$10,813,051

Spoon River College District No. 534
Uniform Financial Statement #3
Operating Funds Revenues and Expenditures
For the year ended June 30, 2017

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Operating revenues by source:			
Local government:			
Local taxes	\$2,091,158	\$425,076	\$2,516,234
Corporate personal property replacement tax	664,816	327,447	992,263
Tuition chargeback revenue			0
Total local government	2,755,974	752,523	3,508,497
State government:			
ICCB base operating grant	533,290	326,856	860,146
ICCB equalization grant	373,700		373,700
ICCB small college grant	89,600		89,600
ICCB CTE - state formula grant	127,068		127,068
Total state government	1,123,658	326,856	1,450,514
Federal government:			
Department of Education	3,875		3,875
Total federal government	3,875	0	3,875
Student tuition and fees:			
Tuition	4,232,907		4,232,907
Fees	833,885		833,885
Total tuition and fees	5,066,792	0	5,066,792
Other sources:			
Facilities revenue		4,520	4,520
Interest	27,547	52	27,599
Other	6,922	2,186	9,108
Total other sources	34,469	6,758	41,227
Total revenue	8,984,768	1,086,137	10,070,905
Less nonoperating items *			
Tuition chargeback revenue			0
Adjusted revenue	\$8,984,768	\$1,086,137	\$10,070,905

* 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, 2017

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Operating expenditures:			
By program:			
Instruction	\$3,493,526		\$3,493,526
Academic support	839,269		839,269
Student services	909,371		909,371
Public services	333,949		333,949
Operation and maintenance of plant		\$1,004,015	1,004,015
Institutional support	2,622,666		2,622,666
Scholarships, student grants, and waivers	385,536		385,536
Total expenditures	8,584,317	1,004,015	9,588,332
Less nonoperating items *			
Tuition chargeback			0
Adjusted expenditures	\$8,584,317	\$1,004,015	\$9,588,332
By object:			
Salaries	\$5,353,214	\$151,318	\$5,504,532
Employee benefits	1,586,273	85,030	1,671,303
Contractual services	156,149	306,894	463,043
General materials and supplies	703,165	86,503	789,668
Conference and meeting expense	72,043	7,096	79,139
Fixed charges	7,935	9,587	17,522
Utilities		349,010	349,010
Other	705,538	8,577	714,115
Total expenditures	8,584,317	1,004,015	9,588,332
Less nonoperating items *			
Tuition chargeback			0
Adjusted expenditures	\$8,584,317	\$1,004,015	\$9,588,332

* 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, 2017

Revenue by source:

State government:	
ICCB:	
State Adult Education Restricted Funds Grants	\$183,425
CTE Program Improvement Grant	6,472
<hr/>	
Total state government	189,897
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Federal government:	
Department of Education:	
College Work Study Grants	22,885
Pell Grants	2,753,829
Supplemental Educational Opportunity Grant	51,346
Perkins Postsecondary	72,255
Trio - Student Support Services	219,368
Adult Education Federal Basic	86,310
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Total federal government	3,205,993
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Other sources:	
Career Link Transition	38,708
Dollar General Literacy	10,000
Western Illinois Works	13,806
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Total other sources	62,514
<hr/>	
Total restricted purposes fund revenues	\$3,458,404
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Spoon River College District No. 534
 Uniform Financial Statement #4 (Continued)
 Restricted Purposes Fund Revenues and Expenditures
 For the year ended June 30, 2017

Expenditures by program:	
Instruction	\$347,285
Academic support	
Student services	245,637
Public services	62,512
Scholarships, student grants, and waivers	2,805,175
<hr/>	
Total restricted purposes fund expenditures by program	\$3,460,609
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Expenditures by object:	
Salaries	\$390,674
Employee benefits	126,001
Contractual services	12,784
General materials and supplies	91,456
Travel, conference and meeting expense	12,427
Capital outlay	0
Other	2,827,267
<hr/>	
Total restricted purposes fund expenditures by object	\$3,460,609
<hr/>	

Spoon River College District No. 534
 Uniform Financial Statement #5
 Current Funds* - Expenditures by Activity
 For the year ended June 30, 2017

Instruction -	
Instructional programs	\$3,840,811
Academic support:	
Library	266,678
Instructional materials center	93,819
Academic administration and planning	478,772
Other academic support	0
Total academic support	839,269
Student services:	
Admissions and records	518,782
Counseling and career guidance	137,506
Financial aid administration	251,336
Other student services	247,384
Total student services	1,155,008
Public service/continuing education:	
Administration	333,949
Other public service	62,512
Total public service/continuing education	396,461
Auxiliary services	3,143,550
Operations and maintenance of plant:	
Maintenance	609,171
Plant utilities	387,430
Other operations and maintenance	7,414
Total operations and maintenance of plant	1,004,015
Institutional support:	
Executive management	212,529
Fiscal operations	416,390
Community Relations	1,623
Administrative support services	1,374,405
Board of trustees	18,216
General institution	377,031
Administrative data processing	1,036,569
Total institutional support	3,436,763
Scholarships, student grants, and waivers	3,190,711
Total current funds expenditures	\$17,006,588

* 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 2017

All fiscal year 2017 noncapital audited operating expenditures from the following funds:

1	Education Fund	\$8,529,408
2	Operations and Maintenance Fund	1,004,015
3	Public Building Commission Operation and Maintenance Fund	
4	Bond and Interest Fund	613,534
5	Public Building Commission Rental Fund	
6	Restricted Purposes Fund	3,460,609
7	Audit Fund	34,225
8	Liability, Protection, and Settlement Fund	768,997
9	Auxiliary Enterprises Fund (subsidy only)	<u> </u>
10	Total noncapital expenditures (sum of lines 1-9)	<u><u>\$14,410,788</u></u>
11	Depreciation on capital outlay expenditures (equipment, buildings, and fixed equipment paid) from sources other than state and federal funds	<u><u>\$624,753</u></u>
12	Total costs included (line 10 plus line 11)	<u><u>\$15,035,541</u></u>
13	Total certified semester credit hours for FY 2017	<u><u>29,693</u></u>
14	Per capita cost (line 12 divided by line 13)	506.37
15	All FY 2017 state and federal operating grants for noncapital expenditures, except ICCB grants	<u><u>\$3,395,890</u></u>
16	FY 2017 state and federal grants per semester credit hour (line 15 divided by line 13)	114.37
17	District's average ICCB grant rate (excluding equalization grants) for FY 2018	<u>30.18</u>
18	District's student tuition and fee rate per semester credit hour for FY 2018	<u>160.00</u>
19	Chargeback reimbursement per semester credit hour (line 14 less lines 16, 17, and 18)	<u><u>\$201.82</u></u>

Approved: 
 President

9/19/2017
 Date

Approved: 
 Chief Financial Officer

9/19/2017
 Date

Other Supplemental Financial Information

Spoon River College District No. 534

Balance Sheet - All Fund Types

June 30, 2017

ASSETS	Education	Operations and Maintenance	Operations and Maintenance Restricted
Cash and cash equivalents	\$617,856		\$432,173
Investments	5,880,115		
Receivables:			
Property taxes	1,265,289	\$253,052	79,702
Government claims and grants	1,072,098	242,729	
Other	2,055,168		
Advances to other funds		97,766	119,093
Prepaid items	54,116		
Inventories			
Property and equipment, net			
Total assets	10,944,642	593,547	630,968
Deferred outflows of resources:			
Deferred pension			
Total assets and deferred outflows	\$10,944,642	\$593,547	\$630,968
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts payable	\$255,955	\$37,710	
Accrued liabilities	415,061	5,628	
Advances from other funds	1,327,404		
Unearned tuition and fees	2,426,412		
Accrued compensated absences	261,094	31,269	
Bonds payable, net of unamortized premiums (discounts)			
Total liabilities	4,685,926	74,607	\$0
Deferred inflows of resources:			
Deferred property taxes	2,183,207	436,818	129,100
Deferred grant revenue			
Total deferred inflows	2,183,207	436,818	129,100
Fund balance/net position (deficit):			
Net investment in capital assets			
Restricted			501,868
Unrestricted	4,075,509	82,122	
Total fund balance/net position (deficit)	4,075,509	82,122	501,868
Total liabilities, deferred inflows of resources, and fund balances/net position	\$10,944,642	\$593,547	\$630,968

Spoon River College District No. 534

Balance Sheet - All Fund Types (Continued)

June 30, 2017

ASSETS	Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose
Cash and cash equivalents		\$8,341	
Investments		123,164	
Receivables:			
Property taxes	\$1,089,132		
Government claims and grants			\$248,542
Other		6,026	
Advances to other funds	817,659		
Prepaid items			
Inventories		377,027	
Property and equipment, net			
Total assets	1,906,791	514,558	248,542
Deferred outflows of resources:			
Deferred pension			
Total assets and deferred outflows	\$1,906,791	\$514,558	\$248,542
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accounts payable			
Accrued liabilities		\$6,455	\$11,937
Advances from other funds		413,778	192,100
Unearned tuition and fees			
Accrued compensated absences		6,114	
Other accounts payable		1,420	
Bonds payable, net of unamortized premiums (discounts)			
Total liabilities	\$0	427,767	204,037
Deferred inflows of resources:			
Deferred property taxes	1,879,910		
Deferred grant revenue			17,497
Total deferred inflows	1,879,910	0	17,497
Fund balance/net position (deficit):			
Net investment in capital assets			
Restricted	26,881		27,008
Unrestricted		86,791	
Total fund balance/net position (deficit)	26,881	86,791	27,008
Total liabilities, deferred inflows of resources, and fund balances/net position	\$1,906,791	\$514,558	\$248,542

Spoon River College District No. 534

Balance Sheet - All Fund Types (Continued)

June 30, 2017

ASSETS	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund	Fund Totals
Cash and cash equivalents				\$1,058,370
Investments			\$583,187	6,586,466
Receivables:				
Property taxes		\$24,138	403,460	3,114,773
Government claims and grants				1,563,369
Other				2,061,194
Advances to other funds	\$85	79,372	819,307	1,933,282
Prepaid items			27638	81,754
Inventories				377,027
Property and equipment, net				0
Total assets	85	103,510	1,833,592	16,776,235
Deferred outflows of resources:				
Deferred pension				
Total assets and deferred outflows	\$85	\$103,510	\$1,833,592	\$16,776,235
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable	\$85			\$293,750
Accrued liabilities			\$12,511	451,592
Advances from other funds				1,933,282
Unearned tuition and fees				2,426,412
Accrued compensated absences				298,477
Other accounts payable				1,420
Bonds payable, net of unamortized premiums (discounts)				0
Total liabilities	85	\$0	12,511	5,404,933
Deferred inflows of resources:				
Deferred property taxes		41,560	704,745	5,375,340
Deferred grant revenue				17,497
Total deferred inflows	0	41,560	704,745	5,392,837
Fund balance/net position (deficit):				
Net investment in capital assets				0
Restricted				555,757
Unrestricted		61,950	1,116,336	5,422,708
Total fund balance/net position (deficit)	0	61,950	1,116,336	5,978,465
Total liabilities, deferred inflows of resources, and fund balances/net position	\$85	\$103,510	\$1,833,592	\$16,776,235

Spoon River College District No. 534

Balance Sheet - All Fund Types (Continued)

June 30, 2017

	GASB			Adjusted Totals
	General Fixed Assets Account	General Long Term Debt Account	Other Adjustments	
ASSETS				
Cash and cash equivalents				\$1,058,370
Investments				6,586,466
Receivables:				
Property taxes				3,114,773
Government claims and grants				1,563,369
Other				2,061,194
Advances to other funds			(\$1,933,282)	0
Prepaid items				81,754
Inventories				377,027
Property and equipment, net	\$13,657,937			13,657,937
Total assets	13,657,937	\$0	(1,933,282)	28,500,890
Deferred outflows of resources:				
Deferred pension			8,405	8,405
Total assets and deferred outflows	\$13,657,937	\$0	(\$1,924,877)	\$28,509,295
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities:				
Accounts payable				\$293,750
Accrued liabilities		\$36,633		488,225
Advances from other funds			(\$1,933,282)	0
Unearned tuition and fees			(258,052)	2,168,360
Accrued compensated absences				298,477
Other accounts payable				1,420
Bonds payable, net of unamortized premiums (discounts)		10,514,574		10,514,574
Total liabilities	\$0	10,551,207	(2,191,334)	13,764,806
Deferred inflows of resources:				
Deferred property taxes				5,375,340
Deferred grant revenue				17,497
Total deferred inflows	0	0	0	5,392,837
Fund balance/net position (deficit):				
Net investment in capital assets	13,657,937	(8,256,202)		5,401,735
Restricted				555,757
Unrestricted		(2,295,005)	266,457	3,394,160
Total fund balance/net position (deficit)	13,657,937	(10,551,207)	266,457	9,351,652
Total liabilities, deferred inflows of resources, and fund balances/net position	\$13,657,937	\$0	(\$1,924,877)	\$28,509,295

Spoon River College District No. 534

Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance (Deficit) - All Fund Types
For the year ended June 30, 2017

	Education	Operations and Maintenance	Operations and Maintenance Restricted
Revenues:			
Local government	\$2,755,974	\$752,523	\$125,303
State government	1,123,658	326,856	1,800,615
State of Illinois SURS on-behalf payments			
Federal government	3,875		
Student tuition and fees	5,066,792		
Sales and service fees			
Interest	27,547	52	913
Other	6,922	6,706	
Total revenues	8,984,768	1,086,137	1,926,831
Expenditures/expenses:			
Current:			
Instruction	3,493,526		
Academic support	839,269		
Student services	909,371		
Public services	333,949		
Auxiliary services			
Operation and maintenance of plant		1,004,015	1,886,559
Institutional support	2,622,666		
Scholarships, student grants, and waivers	385,536		
Depreciation expense			
Debt service:			
Principal retirement			
Interest			
Total expenditures/expenses	8,584,317	1,004,015	1,886,559
Excess (deficiency) of revenues over expenditures/expenses	400,451	82,122	40,272
Other financing sources (uses):			
Transfers in	209,500		
Transfers out			(209,500)
Total other financing sources (uses)	209,500	0	(209,500)
Net change in fund balance / net position	609,951	82,122	(169,228)
Fund balance/net position at beginning of year (deficit)	3,465,558	0	671,096
Fund balance/net position at end of year (deficit)	\$4,075,509	\$82,122	\$501,868

Spoon River College District No. 534

Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance (Deficit) - All Fund Types (Continued)
For the year ended June 30, 2017

	Bond and Interest	Auxiliary Enterprises Fund	Restricted Purpose
Revenues:			
Local government	\$1,895,086		
State government			\$189,897
State of Illinois SURS on-behalf payments			
Federal government			3,205,993
Student tuition and fees			
Sales and service fees		\$895,244	
Interest	232	208	
Other		2,194,692	62,514
Total revenues	1,895,318	3,090,144	3,458,404
Expenditures/expenses:			
Current:			
Instruction			347,285
Academic support			
Student services			245,637
Public services			62,512
Auxiliary services		3,143,550	
Operation and maintenance of plant			
Institutional support			
Scholarships, student grants, and waivers			2,805,175
Depreciation expense			
Debt service:			
Principal retirement	1,385,000		
Interest	492,421		
Total expenditures/expenses	1,877,421	3,143,550	3,460,609
Excess (deficiency) of revenues over expenditures/expenses	17,897	(53,406)	(2,205)
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	0	0	0
Net change in fund balance / net position	17,897	(53,406)	(2,205)
Fund balance/net position at beginning of year (deficit)	8,984	140,197	29,213
Fund balance/net position at end of year (deficit)	\$26,881	\$86,791	\$27,008

Spoon River College District No. 534

Combining Schedule of Revenues, Expenditures/Expenses,
and Changes in Fund Balance (Deficit) - All Fund Types (Continued)
For the year ended June 30, 2017

	Trust and Agency Fund	Audit	Liability, Protection, and Settlement Fund	Fund Totals
Revenues:				
Local government		\$34,428	\$700,461	\$6,263,775
State government				3,441,026
State of Illinois SURS on-behalf payments				0
Federal government				3,209,868
Student tuition and fees				5,066,792
Sales and service fees				895,244
Interest		4	3,146	32,102
Other				2,270,834
Total revenues	\$0	34,432	703,607	21,179,641
Expenditures/expenses:				
Current:				
Instruction				3,840,811
Academic support				839,269
Student services				1,155,008
Public services				396,461
Auxiliary services				3,143,550
Operation and maintenance of plant				2,890,574
Institutional support		34,225	779,872	3,436,763
Scholarships, student grants, and waivers				3,190,711
Depreciation expense				0
Debt service:				
Principal retirement				1,385,000
Interest				492,421
Total expenditures/expenses	0	34,225	779,872	20,770,568
Excess (deficiency) of revenues over expenditures/expenses	0	207	(76,265)	409,073
Other financing sources (uses):				
Transfers in				209,500
Transfers out				(209,500)
Total other financing sources (uses)	0	0	0	0
Net change in fund balance/net position	0	207	(76,265)	409,073
Fund balance/net position at beginning of year (deficit)	0	61,743	1,192,601	5,569,392
Fund balance/net position at end of year (deficit)	\$0	\$61,950	\$1,116,336	\$5,978,465

Spoon River College District No. 534

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

For the year ended June 30, 2017

	GASB			Adjusted Totals
	General Fixed Assets Account	General Long-Term Debt Account	Other Adjustments	
Revenues:				
Local government				\$6,263,775
State government				3,441,026
State of Illinois SURS on-behalf payments			\$3,791,852	3,791,852
Federal government				3,209,868
Student tuition and fees			(1,773,694)	3,293,098
Sales and service fees			361,303	1,256,547
Interest				32,102
Other			(2,194,692)	76,142
Total revenues	\$0	\$0	184,769	21,364,410
Expenditures/expenses:				
Current:				
Instruction				3,840,811
Academic support				839,269
Student services				1,155,008
Public services				396,461
Auxiliary services			(1,833,389)	1,310,161
Operation and maintenance of plant	(1,861,529)			1,029,045
Institutional support	(65,784)		3,791,761	7,162,740
Scholarships, student grants, and waivers			(1,762,985)	1,427,726
Depreciation expense	481,248			481,248
Debt service:				
Principal retirement		(1,385,000)		0
Interest		(50,839)		441,582
Total expenditures/expenses	(1,446,065)	(1,435,839)	195,387	18,084,051
Excess (deficiency) of revenues over expenditures/expenses	1,446,065	1,435,839	(10,618)	3,280,359
Other financing sources (uses):				
Transfers in			(209,500)	0
Transfers out			209,500	0
Total other financing sources (uses)	0	0	0	0
Net change in fund balance / net position	1,446,065	1,435,839	(10,618)	3,280,359
Fund balance/net position at beginning of year (deficit)	12,211,872	(11,987,046)	277,075	6,071,293
Fund balance/net position at end of year (deficit)	\$13,657,937	(\$10,551,207)	\$266,457	\$9,351,652

Spoon River College District No. 534
 Schedule of Operating Revenues and Expenses, by Program
 Auxiliary Enterprise Fund
 For the year ended June 30, 2017

	General	Bookstore	Food Services	Print Shop	Postage	Nursing Exams	Student Activities
Operating revenues:							
Sales and service fees		\$486,938	\$82,574	\$25,402	\$14,794	\$10,885	
Student tuition and fees							
Other		121,432					
Interest	\$208						
Total revenues	208	608,370	82,574	25,402	14,794	10,885	\$0
Operating expenses:							
Salaries		24,648	51,134				13,350
Employee benefits		300					
Contractual services				17,541			9,987
General materials and supplies		445,387	61,367	2,065	19,510	3,641	7,987
Travel and conference/ meeting expenses			218				2,803
Capital outlay		24,291					
Other		35,938					165
Total operating expenses	0	530,564	112,719	19,606	19,510	3,641	34,292
Operating income (loss) before operating transfers	208	77,806	(30,145)	5,796	(4,716)	7,244	(34,292)
Operating transfers	0	0	0	0	0	0	0
Net income (loss)	\$208	\$77,806	(\$30,145)	\$5,796	(\$4,716)	\$7,244	(\$34,292)

Spoon River College District No. 534

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

Auxiliary Enterprise Fund

For the year ended June 30, 2017

	Athletics	Diesel Tractor Auto Technology	Transportation	Health Insurance	Total
Operating revenues:					
Sales and service fees		\$63,219			\$683,812
Student tuition and fees	\$90,000				90,000
Other				\$401,499	522,931
Interest					208
Total revenues	90,000	63,219	\$0	401,499	1,296,951
Operating expenses:					
Salaries	75,469				164,601
Employee benefits				401,499	401,799
Contractual services	17,079				44,607
General materials and supplies	23,040	64,278			627,275
Travel and conference/ meeting expenses	45,994				49,015
Capital outlay	2,666				26,957
Other					36,103
Total operating expenses	164,248	64,278	0	401,499	1,350,357
Operating income (loss) before operating transfers	(74,248)	(1,059)	0	0	(53,406)
Operating transfers	0	0	0	0	0
Net income (loss)	(\$74,248)	(\$1,059)	\$0	\$0	(\$53,406)

Spoon River College District No. 534
Assessed Valuations, Tax Rates, Tax Extensions
and Tax Collections
Levy Years 2016, 2015, and 2014

	2016	2015	2014
Assessed Valuations	\$894,299,396	\$867,306,754	\$834,741,944
Tax Rate (per \$100 assessed valuation):			
Educational Accounts	0.2469	0.2410	0.2181
Bond and Interest Fund	0.2126	0.2180	0.2186
Operations and Maintenance Accounts	0.0494	0.0490	0.0500
Audit Fund	0.0047	0.0040	0.0046
Fire Prevention/Safety/Energy	0.0146	0.0148	0.0130
Liability, Protection, Settlement, and Social Security	0.0797	0.0804	0.0964
Total tax rate	0.6079	0.6072	0.6007
Tax Extensions:			
Educational Accounts	\$2,199,883	\$2,076,156	\$1,820,572
Bond and Interest Fund	1,894,269	1,878,017	1,824,746
Operations and Maintenance Accounts	440,155	422,123	417,371
Audit Fund	41,877	34,459	38,398
Fire Prevention/Safety/Energy	130,086	127,498	108,516
Liability, Protection, Settlement, and Social Security	710,128	692,626	804,691
Total tax extensions	5,416,398	5,230,879	5,014,294
Tax Collections to June 30:			
Educational Accounts	\$917,918	\$2,087,456	\$1,827,922
Bond and Interest Fund	790,778	1,891,386	1,827,708
Operations and Maintenance Accounts	183,766	424,227	419,821
Audit Fund	17,421	34,352	38,003
Fire Prevention/Safety/Energy	49,398	124,997	108,136
Liability, Protection, Settlement, and Social Security	301,285	698,918	807,266
Total tax collections	\$2,260,566	\$5,261,336	\$5,028,856
Percent of extensions collected	41.74%	100.58%	100.29%

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, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

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, 2017, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Compliance

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the State Adult Education and Family Literacy 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, 2017, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Wipfli LLP

Sterling, Illinois
September 19, 2017

Spoon River College District No. 534

Balance Sheet

State Adult Education Restricted Funds

June 30, 2017

ASSETS	State Basic	State Performance	Total
Cash			\$0
Receivables	\$108,600	\$74,825	183,425
Total assets	\$108,600	\$74,825	\$183,425
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Accrued liabilities	\$1,833	\$1,983	\$3,816
Advances from other funds	88,429	68,692	157,121
Total liabilities	90,262	70,675	160,937
Deferred inflows of resources - Unavailable grant revenue			0
Fund balance	18,338	4,150	22,488
Total liabilities, deferred inflows of resources, and fund balances	\$108,600	\$74,825	\$183,425

Spoon River College District No. 534

Statement of Revenues, Expenditures and Changes in Fund Balance

State Adult Education Restricted Funds

For the year ended June 30, 2017

	State Basic	State Performance	Total
Revenues -			
Grant revenue	\$108,600	\$74,825	\$183,425
Expenditures:			
Instruction	83,112	15,750	98,862
Social work services	2,836	32	2,868
Guidance services	5,763	5,226	10,989
Subtotal instructional and student services	91,711	21,008	112,719
General administration	7,490	53,232	60,722
Data and information services	4,944	3,861	8,805
Subtotal program support	12,434	57,093	69,527
Total expenditures	104,145	78,101	182,246
Excess of revenues over expenditures	4,455	(3,276)	1,179
Fund balance at beginning of year	13,883	7,426	21,309
Fund balance at end of year	\$18,338	\$4,150	\$22,488

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, 2017

State Basic	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% minimum required)	\$83,112	79.80%
General Administration (15% maximum allowed)	\$7,490	7.19%

Spoon River College District No. 534

Balance Sheet

Career and Technical Education Program Improvement Grant

June 30, 2017

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, 2017

Revenues -	
State sources	\$6,472
<hr/>	
Expenditures -	
General materials and supplies	6,472
<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, 2017. 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 the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed of Spoon River College District No. 534 (the "College") for the year ended June 30, 2017. The Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed is the responsibility of the College's management. Our responsibility is to express an opinion on the schedule based on our examination.

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

In our opinion, the Schedule of Enrollment Data and Other Bases Upon Which Claims Are Filed presents fairly, in all material respects, the student enrollment and other bases upon which claims are filed and the reconciliation of semester credit hours of the College for the year ended June 30, 2017, in conformity with the Illinois Community College Board's *Fiscal Management Manual*.

Wipfli LLP

Sterling, Illinois
September 19, 2017

Spoon River College District No. 534

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

For the year ended June 30, 2017

	Total Semester Credit Hours by Term *							
	Summer		Fall		Spring		Total	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Categories:								
Baccalaureate	1,932.0		9,443.5		9,129.5		20,505.0	0.0
Business Occupational	20.0		531.5	9.0	183.0	17.0	734.5	26.0
Technical Occupation	301.5		1,167.5		1,170.5		2,639.5	0.0
Health Occupational	294.0		1,399.0		1,399.0		3,092.0	0.0
Remedial Development	112.0		999.0		688.0		1,799.0	0.0
Adult Basis Education/ Adult Secondary Education				447.0		450.0	0.0	897.0
Total credit hours certified	2,659.5	0.0	13,540.5	456.0	12,570.0	467.0	28,770.0	923.0

	Attending In-District	Attending Out-of-District on Chargeback or Contractual Agreement	Total
Semester credit hours	24,347.0	0.0	24,347.0
Reimbursable semester credit hours (all terms)	2,107.0	131.5	
District equalized assessed valuation			\$894,299,396

	Correctional Semester Credit Hours by Term			
	Summer	Fall	Spring	Total
Categories:				
Baccalaureate	0.0	0.0	0.0	0.0
Business Occupational	0.0	0.0	0.0	0.0
Technical Occupation	0.0	0.0	0.0	0.0
Remedial Development	0.0	0.0	0.0	0.0
Total credit hours certified	0.0	0.0	0.0	0.0

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

Signatures 

 President



 Chief Financial Officer

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, 2017

Reconciliation of Total Semester Credit Hours For the year ended June 30, 2017

	Total Unrestricted Credit Hours	Total Unrestricted Credit Hours Certified to the ICCB	Difference	Total Restricted Credit Hours	Total Restricted Credit hours Certified to the ICCB	Difference
Categories:						
Baccalaureate	20,505.0	20,505.0				
Business Occupational	734.5	734.5		26.0	26.0	
Technical Occupation	2,639.5	2,639.5				
Health Occupational	3,092.0	3,092.0				
Remedial Development	1,799.0	1,799.0				
Adult Basis Education/Adult Secondary Education				897.0	897.0	
Total	28,770.0	28,770.0	0.0	923.0	923.0	0.0

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

	Total Attending (Unrestricted and Restricted)	Total Attending as Certified to the ICCB	Difference
In-district residents	24,347.0	24,347.0	0.0
Out-of-districts on chargeback or contractual agreement	0.0	0.0	0.0

	Total Reimbursable	Total Reimbursable Certified to ICCB	Difference
Dual credit	2,107.0	2,107.0	0.0
Dual enrollment	131.5	131.5	0.0

Reconciliation of Total Correctional Semester Credit Hours For the year ended June 30, 2017

	Total Correctional Credit Hours	Total Correctional Credit Hours Certified to the ICCB	Difference
Categories:			
Baccalaureate			0
Business Occupational			0
Technical Occupation			0
Remedial Development			0
Total	0	0	0

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Spoon River College District No. 534 (the “College”), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements, and have issued our report thereon dated September 19, 2017. 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
September 19, 2017



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, 2017. 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, 2017.

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
September 19, 2017

Spoon River College District No. 534

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Education:			
Pass-through Illinois Community College Board:			
Adult Education:			
Federal Adult Basic	84.002	53401	\$86,310
Direct awards:			
Student Financial Assistance:			
Federal Supplemental Educational Opportunity Grants (m)	84.007	P007AXX1289	51,346
Federal Work Study Program (m)	84.033	P033AXX1289	22,885
Federal Pell Grant Program (m)	84.063	P063AXX1340	2,757,704
Federal Direct Loan Program (m)	84.268	P268KXX1340	1,960,037
Total student financial assistance cluster			4,791,972
TRIO - Student Support Services	84.042	P042AXX0515	215,423
Passed through the Illinois Community College Board:			
Perkins Postsecondary Grants	84.048	CTE53416	72,255
Total U.S. Department of Education			\$5,165,960
Total federal awards expended			\$5,165,960

(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, 2017, 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, 2017.

Note 2 **Loan Program**

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

Note 3 **Subrecipient Payments**

The College did not provide any federal payments to subrecipients during the year ended June 30, 2017.

Note 4 **Non-cash Assistance**

The College did not expend any federal awards in the form of non-cash assistance during the year ended June 30, 2017.

Note 5 **Other Federal Award Information**

The College did not receive or administer any insurance or loan guarantees during fiscal year ended June 30, 2017.

Spoon River College District No. 534

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are
not considered to be material weakness(es)? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified that are
not considered to be material weakness(es) ___ yes X none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? ___yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

84.007, 84.033, 84.063, 84.268	Student Financial Assistance
--------------------------------	------------------------------

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes ___no

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, 2016

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

A. 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.

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, 2015

C. Internal Control

None

D. Compliance Finding

None

III. Findings and Questioned Costs for Federal Awards

C. Internal Control

None

D. Compliance Finding

None