



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

Heartland Community College

Community College District #540 • 1500 West Raab Road • Normal, IL 61761



"Modeling Stewardship and Sustainability"

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
Normal, Illinois**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013 and 2012**

Prepared by:

Business Services

Rob Widmer
President and Vice President of Business Services

Sue Gilpin
Controller

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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COMMUNITY COLLEGE DISTRICT #540**

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**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

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HEARTLAND
COMMUNITY COLLEGE

December 4, 2013

**To Members of the Board of Trustees and Citizens of Heartland Community
College District No. 540:**

The Comprehensive Annual Financial Report (CAFR) of Heartland Community College District No. 540, Normal, Illinois, as of and for the fiscal year ended June 30, 2013 is hereby submitted. The CAFR provides a snapshot of Heartland's financial performance and major initiatives, as well as an overview of trends in the local economy. Above all, the report represents the College's commitment to inform members of the community about the College's finances.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the College. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities, in relation to its mission, have been included.

CliftonLarsonAllen LLP, Certified Public Accountants, have issued an unmodified (clean) opinion on the Heartland Community College District No. 540 basic financial statements for the year ended June 30, 2013. The independent auditors' report is located at the front of the financial section of the report.

This letter of transmittal should be read in conjunction with Management's Discussion and Analysis (MD&A) which immediately follows the independent auditors' report. The MD&A provides a narrative introduction, overview and analysis of the basic financial statements and it focuses on current activities, accounting changes and currently known facts.

PROFILE OF THE COLLEGE

Heartland Community College is a comprehensive community college operating in accordance with the provisions of the Illinois Public Community College Act and is recognized by the Illinois Community College Board (ICCB). The College is accredited by the Higher Learning Commission of the North Central Association.

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The College District extends roughly from Lincoln, Illinois on the south, along Interstate 55, and north to Pontiac, Illinois. Of the more than 208,000 district residents, about two-thirds reside in incorporated areas. Bloomington-Normal is the largest population center of this region. The District includes most of McLean County and parts of DeWitt, Ford, Livingston, Logan and Tazewell counties. The main campus is located in Normal, Illinois (McLean County) with centers in both Lincoln and Pontiac.

VISION, MISSION, FOUNDATIONAL COMMITMENTS, AND OUR ENDURING GOALS

Heartland Community College is committed to student success. The College represents a vital and progressive center for learning as manifest in its vision and mission statements. These are fulfilled through adherence to underlying foundational commitments and enduring goals.

Vision

Heartland is an adaptable and collaborative community resource, promoting life-long learning and exceptional community progress.

Mission

Heartland inspires lives through accessible and personalized student support, exemplary innovation, and high expectations for success in teaching and learning.

Foundational Commitments and Enduring Goals

The eight foundational commitments that will support our priorities, goals and operations are: Valuing People; Collaborating Effectively; Serving as a Community Resource; Creating Access to Opportunities; Supporting Student Success; Leading Quality Innovation; Modeling Stewardship and Sustainability; and Exemplifying Teaching and Learning Excellence. For each of these, the following enduring goals, of a more long-term nature, were defined.

Valuing People

- HCC will engage internal and external constituents to encourage open communication, promote professional and personal development, and implement processes that enhance organizational culture.
- HCC will recruit, hire, professionally develop, and retain talented and collaborative employees to advance organizational excellence.

Collaborating Effectively

- HCC will champion collaboration among internal and external constituents to stimulate social, economic, and environmental advancements.

Serving as a Community Resource

- HCC will provide an array of expertise, programs and facilities to address community needs that align with our mission.

Creating Access to Opportunities

- HCC will broaden pathways to lifelong learning by fostering personal growth, minimizing obstacles, and facilitating progress.

Supporting Student Success

- HCC will effectively transition students into college-level coursework by assessing, accelerating, and augmenting student readiness.
- HCC will empower our students to explore options, develop intentional pathways, and achieve relevant academic and career goals.
- HCC will improve student support by continually assessing and responding to diverse needs.
- HCC will promote a student-centered culture by intentionally building relationships that promote student engagement and development.

Leading Quality Innovation

- HCC will enhance decision making at all levels of the organization through processes and technologies that guarantee quality data and actionable intelligence to support improvement.
- HCC will incorporate systems-oriented, data-informed approaches to create, implement, and share exemplary practices.

Modeling Stewardship and Sustainability

- HCC will adhere to informed and responsible practices that safeguard social, economic, and environmental well-being.
- HCC will practice visionary planning, actively pursuing resources and partnerships to ensure our long-term viability.

Exemplifying Teaching and Learning Excellence

- HCC will recruit, hire, professionally develop, and retain high quality faculty, instructors, and learning support staff.
- HCC will design, deliver, and assess high quality curriculum and instruction for our diverse programs, supporting relevant career pathways for learners.
- HCC will design, develop, and maintain exemplary physical and technological infrastructure to create an optimal teaching and learning environment.
- HCC will effectively assess students' experiences, creating actionable intelligence applied at key momentum points to improve student learning.

Selected enduring goals have been chosen and will be a primary focus during the five year period of 2013 through 2017. These are considered the College's strategic focus goals.

FINANCIAL INFORMATION

The College maintains its accounts and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as set forth by the Governmental and Financial Accounting Standards Boards, the National Association of College and University Business Officers and the ICCB. The ICCB requires accounting by funds in order to easily account for limitations and restrictions on resources. The financial records of the College are maintained on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal obligation to pay. The notes to the financial statements expand and explain the financial statements and the accounting principles applied.

The Business Services Division is responsible for directing the College's fiscal, human resources, administrative services, information technology, and facilities operations. Managing resources with strict attention to dynamic facility, funding, technology, and staffing requirements has been the primary goal of the Division. Financial resources and their management have also been strongly influenced by the Board of Trustees. The Board's financial policies, directives, and decisions have set the tone for fiscal stewardship and accountability since the College's founding.

Management of the College is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the College are protected from loss, theft, or misuse, and to ensure that transactions are properly recorded to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of the costs and benefits requires estimates and judgments by the College.

The College maintains budgetary controls. Their objective is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the College's Board of Trustees. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established for each individual fund. The College also maintains an encumbrance accounting system as one method for accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances are only re-authorized as part of the following year's budget when funds are available and with appropriate administrative approvals. As demonstrated by the statements and schedules included in the financial section of this report, the College continues to meet its responsibility for sound financial management.

ECONOMIC CONDITION AND OUTLOOK

The financial position of the College is strong in spite of the current weakened economy. This is attributed to historically steady and growing enrollments, sound financial planning, a long-term strategic financial plan, consistent budget performance, and a healthy property tax base. Over the last ten years, the College's net position has increased from \$25.5 million in fiscal year 2004 to \$52.8 million in fiscal year 2013 for an annual average increase of \$2.7 million.

State of Illinois Economy

The State of Illinois economy continues to show some signs of improvement at a rate that nevertheless lags the nation. The unemployment rate as of June 2013 for Illinois was 9.1 percent, as compared to 7.8 percent for the nation as a whole. The Illinois Department of Employment Security has reported that more than 40% of all unemployed individuals in Illinois have been out of work for more than six months. In order to find gainful employment, many will be required to obtain additional training and education either from vocational schools, community colleges, or four year colleges and universities.

The State of Illinois also continues to struggle with its financial condition. The economic forecast predicts that employment will not return to pre-recession levels until sometime between the end of fiscal year 2013 and 2017. This has caused a decline in the State's tax revenue stream for fiscal years 2010 through 2013. In addition, the State's expenditures continue to outpace revenues. Accordingly, the future of State funding and the impact of likely cost-shifting continue to be a concern for the College. As State funding continues to decline and pension reform proposals continue to be debated, the College has developed some long-term strategies for absorbing any shortcomings, late payments, and pension cost shifts from the State.

There is still much work ahead for the State in its pension, Medicaid, education, unemployment and workers' compensation reforms. For fiscal year 2013, the State increased the higher education budget by \$1.4 billion, however this entire increase funded the State Universities Retirement System. The Illinois Student Assistance Commission, a State agency that is responsible for providing various educational and counseling programs and financial aid assistance to Illinois students, received a \$10 million budget increase. And the Illinois Community College Board received a \$3.6 million budget increase. These were positive signs of support for education in Illinois.

District Economy

The Heartland Community College district is an important business and agricultural region in central Illinois, supported by two major insurance companies, an automobile manufacturer and related automotive suppliers, farm implement and agricultural products dealers, and financial and health care institutions. Some of the largest employers in the district are State Farm Insurance Companies (corporate and regional headquarters), Mitsubishi Motor Manufacturing, Illinois State University, COUNTRY Financial, Advocate BroMenn Medical Center, OSF-St. Joseph Medical Center, McLean County, Anderson Financial Network, Inc., and the two local school districts.

The District has several higher education institutions. Bloomington-Normal is the location of two major universities, Illinois State University in Normal (with an on-campus enrollment of more than 20,000 students) and Illinois Wesleyan University in Bloomington (with an enrollment of almost 2,000 students). Lincoln, in the southern part of the district, has two colleges: Lincoln College, a private two-year college that offers instruction in Lincoln and Normal to about 500 students, and Lincoln Christian University, a private four-year institution of about 250 students. Several cooperative arrangements and educational alliances have been established with some of these institutions, as well as with some of our peer Illinois community colleges.

In past years, unemployment in McLean County has traditionally been relatively low. From 2008 through 2012, unemployment ranged between 5.0% and 7.7% (highest in 2010) annually. For 2012, unemployment in McLean County was 6.9%, one of the lowest rates in the State. Unemployment however, has been a supporting factor in the College's historically steady enrollment increases.

McLean County retail sales in 2012 increased to \$2.82 billion which was an increase of 8.9% over 2011. Median family income for the Bloomington-Normal communities is \$86,800, which is one of the highest in the State of Illinois. The population of McLean County has increased by more than 40,000 since 1991 when the College opened. The 2012 population of the County was 171,166. Population in the County is projected to continue to grow, reaching 176,605 by the year 2017. The current population of the entire district is 208,539. These economic growth indicators bode well for a growing community college.

Tax Base

The Heartland Community College District 2012 tax levy base of \$4,131,636,881 decreased by 0.71% from the 2011 tax base. Prior to 2012, equalized assessed valuation (EAV) had been steadily growing. This was the first year of a decline since the College's founding in 1990. Residential and commercial growth is expected to grow, with a projected increase of approximately 1% in the 2013 tax levy base. The value of farmland and the varieties of construction growth have been key factors in the District's historical economic growth. There has been recent and new growth within the District in green economy initiatives such as wind farms.

The tax base is diverse, with the ten largest taxpayers making up only 6.4% of the District's EAV. The EAV is projected to increase slightly, between 1% and 2% per annum, for the next two to three years. Local property taxes will continue to be a significant source of revenue for the College. During fiscal year 2013, local property taxes accounted for 35.5% of total revenues.

Net Position and Liquidity

The net position decreased from \$54.7 million at the end of fiscal year 2012 to \$52.8 million at the end of 2013. Net position was 97.9% of total fiscal year 2013 operating expenses. Liquidity is strong, with \$19.1 million of cash and short-term investments at year end.

College Enrollment

Heartland's enrollment patterns are affected by the economy and are somewhat similar to State and national enrollment trends at other community colleges. Enrollment declined by 6.4% during fiscal year 2013. This was the first year, in the College's history, for an enrollment decline.

For the fall semester of fiscal year 2014 (Fall 2013) student headcount (at tenth day) again declined by 6.0% to 5,005 students from 5,324 students in the previous fall of 2012. Credit hours and the full-time equivalent count for fall 2013 both declined by 5.2%. Credit hours for fall 2013 were 47,865 as compared to 50,504 in fall 2012. Five years ago, in the fall 2009 semester, 5,257 students were enrolled in 50,829 credit hours.

The College has established several initiatives and teams to address enrollment-related strategies for assessing and improving student registration, engagement, persistence and retention. *Heartland's "Guided Path to Success (GPS)"* initiative is a network of intentional supports embedded throughout the College to foster student success at every level. Partnerships are key to the overall *Heartland GPS* mission.

This initiative partners the College with students, K-12 schools, universities, families, businesses, and our community to create the right circumstances for increased learning and planned progress. Essentially, Heartland is developing the capacity to increase high school graduation rates and college readiness by collaboratively developing and providing career, college, and life planning services. These broad support services will be provided at Heartland and in area high schools for students, whether or not they attend Heartland.

The fiscal year 2014 budget was predicated on an overall 5.5% decline in credit hours from fiscal year 2013. We believe the current year's and the previous year's declines in enrollment have been driven by economic factors and uncertainty among District residents. Most of our peer institutions have seen similar declines in enrollment this year and in previous years. Credit hour growth is projected for fiscal year 2015 and beyond due to local and national economic and population factors, as well as to the College's *GPS* efforts.

Tuition increases of \$5 per hour and \$3 per hour were made in the summer of 2012 and 2013, respectively, to counter the declines in State funding levels. Heartland's current per credit hour in-district tuition and fees rate of \$139.00 is one of the highest among other Illinois community colleges.

The College's continuing education program continued to realize enrollment increases during fiscal year 2013. For the first time, sales and service fees from continuing education programs approached \$4,000,000. Adult, community, and corporate education programs and offerings are projected to continue growing in fiscal year 2014, as evidenced by the summer and fall 2013 activity.

The ethnicity of Heartland's students, for the most part, reflects that of the District in that approximately 80% of the students are white non-Hispanic. More than 40% of the students receive financial aid, mainly from federal and state grants, scholarships, loans, and student employment. The College has the resources required to serve a growing and diverse student enrollment.

Federal Government

Federal grant activity is expected to remain level or increase slightly during 2014. Federal grants accounted for only 17.7% of the College's total revenues during fiscal year 2013 as compared to 22% in 2012. Increased federal funding is projected for green economy and other sustainability initiatives, as well as for job training and workforce development. As one of its strategic priorities, the College is committed to seeking alternate revenue sources, such as federal grant funds, to support new initiatives.

Component Unit

The Heartland Community College Foundation, considered a component unit of the College, assists the College and its students by providing scholarships and grants from its fundraising efforts. The Foundation is in the early stages of its first capital campaign. This effort is projected to increase endowment assets significantly over the next three to five years.

DEBT ADMINISTRATION

The College had general bonded debt of \$84,805,000 as of June 30, 2013 and \$87,015,000 as of June 30, 2012. The decrease from 2012 to 2013 is the net result of two factors: (1) issuance of \$990,000 in general obligation debt certificates; and (2) principal payments totaling \$3,200,000 during fiscal year 2013. The new debt certificates were issued to fund facility improvement measures. Subsequent to year-end, the Series 2010 \$1.7 million debt certificate issue was re-financed in November 2013.

The Standard & Poor’s rating on a September 2011 debt certificate issue was AA/Stable and the rating on its general obligation bonds was affirmed as AA+/Stable. It reflected the College’s: “(1) participation in the diverse Bloomington-Normal economy; (2) good wealth and income levels; (3) good financial operations with strong reserves; and (4) a moderate overall debt burden.” The Moody’s rating on the 2011 debt certificates was Aa3. The Standard & Poor’s rating on the June 2012 \$4.5 million bond issue was AA+. The 2013 debt certificate issues were not rated.

According to State of Illinois statute, the College is subject to a limit on bonded debt equal to 2.875% of assessed valuation. The 2012 assessed valuation of \$4,131,636,881 results in a legal debt limit of \$118,784,560. Other useful indicators of debt position are the ratios of general obligation debt to assessed valuation and debt per capita. For fiscal years 2009-2013, these indicators compare as follows:

<u>Fiscal Year</u>	<u>General Obligation Debt</u>	<u>Debt/EAV</u>	<u>General Obligation Debt Per Capita</u>
2013	\$84,805,000	2.1%	\$406.65
2012	\$87,015,000	2.1%	\$417.25
2011	\$82,280,000	2.0%	\$394.55
2010	\$83,040,000	2.1%	\$408.71
2009	\$80,560,000	2.0%	\$396.50

PROSPECTS FOR THE FUTURE

The College’s financial outlook for the future is stable reflecting its strong financial operations, combined with growing populations within the District. The outlook is supported by the diverse Bloomington-Normal metropolitan area economy. There are certainly challenges facing the institution, including continued uncertain levels of future State funding, the State’s pending pension reform, declining enrollments, student engagement and retention efforts, and long-term physical facilities growth under these circumstances.

A long-term financial reserves plan is regularly updated and reviewed with the Board of Trustees to ensure timely and appropriate accumulation of net assets for future capital projects, possible pension cost shifts, and other financial exigencies. A five-year operating budget outlook is updated and reviewed regularly by College management and with the Board of Trustees. Efforts are also underway to update the long-term master plan for future campus development.

Contingencies are budgeted annually to provide for the uncertainties associated with State funding, enrollment, capital funding requirements, faculty contract negotiations, utility and other market-driven costs and to fund reserve plans. Likewise, alternative means of funding our needs, such as through leasing and bonding, will continue to be evaluated. The College also has the capacity to increase tuition rates since the current rate is below any State limits.

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

The Illinois Public Community College Act requires an annual audit by independent certified public accountants. The College's Board of Trustees selected the public accounting firm of CliftonLarsonAllen LLP. The requirement has been satisfied and the auditors' opinion is unmodified. The auditors' report on the financial statements and schedules is included in the financial section of this report.

Awards for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Heartland Community College for its CAFR for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

Heartland Community College has received the Certificate of Achievement annually since 1998. Staff believes the current report for the fiscal year ended June 30, 2013 continues to meet the stringent program requirements for the Certificate of Achievement for Excellence in Financial Reporting. The report is being submitted to GFOA to determine its eligibility for another certificate.

Acknowledgments

Thanks are to be extended to the Board of Trustees for its continued interest and support in planning and conducting the financial operations of the College with fiscal integrity. Each member of the Business Services Division and the external auditors, CliftonLarsonAllen LLP, have our sincere appreciation for the contributions made in preparation of this report.

Respectfully submitted,

/s/ Robert D. Widmer

Robert D. Widmer
President and
Vice President of Business Services

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

PRINCIPAL OFFICIALS

Board of Trustees

	<u>Position</u>	<u>Term Expires</u>
Gregg Chadwick	Chair	2017
Jim Drew	Vice-Chair	2017
John A. Copes	Secretary	2015
Terry Baggett	Trustee	2015
Jeffrey Flessner	Trustee	2019
Donald Gibb	Trustee	2019
Patrick Hardesty	Trustee	2019
Katelyn Foree	Student Trustee	2014

Officers of the College

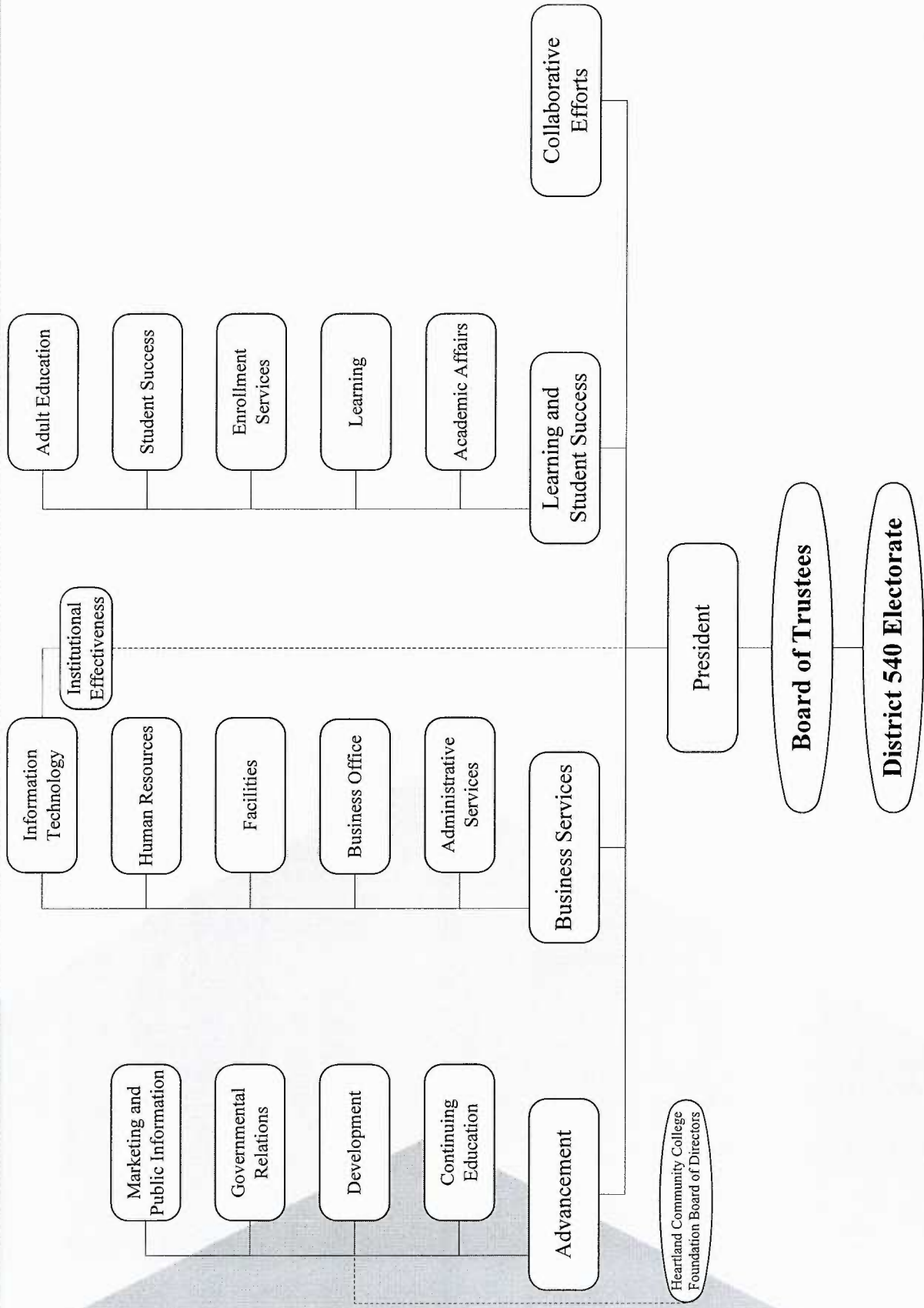
Robert D. Widmer	President and Vice President of Business Services
Rick Pearce	Vice President for Learning and Student Success
Mary Beth Trakinat	Vice President of Continuing Education

Officials Issuing Report

Sue A. Gilpin	Controller
Sharon M. McDonald	Associate Director for Accounting Services
Shelley Marquis	Associate Director for Payroll Services

Department Issuing Report

Business Services Division





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Heartland Community College
District #540, Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Independent Auditors' Report

Board of Trustees
Heartland Community College
Community College District #540
Normal, Illinois

Report on the Financial Statements

We have audited the accompanying basic financial statements of Heartland Community College District #540 (District or College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, Heartland Community College Foundation. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the District's component unit were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of Heartland Community College District #540 and its discretely presented component unit as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Information

The 2012 basic financial statements of Heartland Community College District #540 were audited by other auditors whose report dated October 12, 2012, expressed an unqualified opinion on the District's financial statements and did not include the discretely presented component unit. The 2012 discretely presented component unit financial statements were audited by another auditor whose report dated December 19, 2012 expressed an unqualified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Heartland Community College District #540's basic financial statements. The Uniform Financial Statement section (pages 85 through 91) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Uniform Financial Statement section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, on our consideration of Heartland Community College District #540'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 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 Heartland Community College District #540's internal control over financial reporting and compliance.



Peoria, Illinois
December 4, 2013

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Heartland Community College's (District or College) Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal years ended June 30, 2013, and June 30, 2012. Since this discussion and analysis is designed to focus on current activities, resulting changes and currently known facts, please read it in conjunction with the transmittal letter, the College's basic financial statements and the notes to the basic financial statements. Responsibility for the completeness and fairness of this information rests with the College.

Using This Annual Report

The financial statements focus on the College as a whole. The College's basic financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total.

The focus of the Statement of Net Position is designed to be similar to bottom line results for the College. This Statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. It reflects Heartland's financial position at a certain date. Net position, the difference between the College's assets and liabilities, is one way to measure the College's financial health or position. All assets and liabilities associated with the operation of the College are included in the Statement of Net Position.

Finally, the Statement provides a picture of the net position (assets minus liabilities) and its availability for expenditure by the College. Net position is divided into three major categories. Funds invested in capital assets, net of debt, provides the College's equity in property, plant and equipment owned by the College. Restricted net position reflects the dollars available for expenditure by the College but that must be spent in accordance with any time or purpose restrictions specified by donors and/or other external entities. And unrestricted net position dollars are available to the College for any lawful purpose.

The Statement of Revenues, Expenses, and Changes in Net Position focuses on both the gross costs and the net costs of College activities, which are supported mainly by property taxes, student tuition and fees, and by other governmental revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

The College's Foundation is included and presented as a component unit as required by Governmental Accounting Board's Statement No. 61. Further information on the component unit can be found in the attached notes to the financial statements.

Financial Highlights

Total assets exceeded total liabilities (net position) by \$52.8 million as of June 30, 2013. Of this amount, \$46.6 million is invested in capital assets (net of related debt), \$3.9 million is restricted for working cash, \$0.7 million is restricted for capital projects, \$0.1 million is restricted for other specific purposes, and \$1.5 million is unrestricted and available to meet current and future obligations of the College.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees (net of scholarship allowances), (2) auxiliary enterprise revenues, and (3) other educational sales and service fees. Total operating revenues for the year ended June 30, 2013 were \$15,285,093. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as (1) property taxes, (2) State grants and contracts, (3) Federal and local grants and contracts, (4) investment income, and (5) the State Universities Retirement System contribution provided by the State of Illinois. Total net non-operating revenues for the year ended June 30, 2013 were \$36,694,442.

Operating expenses are those expenses for the purpose of providing educational and operational activities of the College. All expenses not meeting this definition, such as interest expense, are reported as non-operating expenses. The College's operating expenses are funded primarily through non-operating revenue. Total operating expenses for the year ended June 30, 2013 were \$53,911,327.

The difference between total operating revenues of \$15,285,093 and total operating expenses of \$53,911,327 produced an operating loss of (\$38,626,234) for the year ended June 30, 2013. Net non-operating revenue of \$36,694,442 partially offset this loss and resulted in an overall decrease in net position of (\$1,931,792). Following are comparative analyses of net position and operating results for fiscal years 2013, 2012, and 2011.

Financial Analysis of the College as a Whole

	Net Position as of June 30, (in thousands)						
	<u>2013</u>	<u>2012</u>	Increase (Decrease) <u>2013-2012</u>	Percent Change	<u>2011</u>	Increase (Decrease) <u>2012-2011</u>	Percent Change
Current assets	\$41,447	\$43,210	(\$1,763)	-4.1%	\$40,743	\$2,467	6.1%
Non-current assets							
Long-term investments	248	743	(495)	-66.6%	245	498	0.0%
Debt issuance costs (net)	226	263	(37)	-14.1%	300	(37)	-12.3%
Capital assets, net of depreciation	126,973	129,234	(2,261)	-1.8%	123,485	5,749	4.7%
Total assets	<u>\$168,894</u>	<u>\$173,450</u>	<u>(\$4,556)</u>	<u>-2.6%</u>	<u>\$164,773</u>	<u>\$8,677</u>	<u>5.3%</u>
Current liabilities	\$36,077	\$34,289	\$1,788	5.2%	\$33,628	\$661	2.0%
Non-current liabilities	80,037	84,449	(4,412)	-5.2%	79,886	4,563	5.7%
Total liabilities	<u>\$116,114</u>	<u>\$118,738</u>	<u>(\$2,624)</u>	<u>-2.2%</u>	<u>\$113,514</u>	<u>\$5,224</u>	<u>4.6%</u>
Net position							
Invested in capital assets, net of debt	\$46,574	\$46,469	105	0.2%	\$40,938	\$5,531	13.5%
Restricted	4,694	4,310	384	8.9%	5,979	(1,669)	-27.9%
Unrestricted	1,512	3,933	(2,421)	-61.6%	4,342	(409)	-9.4%
Total net position	<u>52,780</u>	<u>54,712</u>	<u>(1,932)</u>	<u>-3.5%</u>	<u>51,259</u>	<u>3,453</u>	<u>6.7%</u>
Total liabilities and net position	<u>\$168,894</u>	<u>\$173,450</u>	<u>(\$4,556)</u>	<u>-2.6%</u>	<u>\$164,773</u>	<u>\$8,677</u>	<u>5.3%</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness attributable to the acquisition, construction, or improvement of those assets. The principal liabilities for capital assets are the general obligation bonds and debt certificates used to provide funding for campus development construction, land acquisition and equipment purchases.

Fiscal Year 2013 Compared to Fiscal Year 2012

The College's net position at June 30, 2013 was \$52,779,940 and at June 30, 2012 was \$54,711,732, a decrease of \$1,931,792 (or -3.5%). The College had a current ratio of 1.15 at June 30, 2013, as compared to 1.26 at June 30, 2012. The current ratio is total current assets divided by total current liabilities. This means that for every dollar of current liabilities the College had \$1.15 in current assets. This ratio is one indicator of the College's ability to pay its debts as they become due.

Current assets have decreased by \$1,762,786 (or -4.1%) due to the combined effects of various factors. Largest among these was the decrease in short-term investments from \$6.1 million in 2012 to \$5.0 million in 2013, a decrease of \$1.15 million (or almost -19%). Short-term investments were liquidated during fiscal year 2013 as the prior year's technology bond fund issue was expended. Accounts receivables also decreased from \$21.5 million in 2012 to \$21.1 million in 2013. This decrease is the result of three distinct factors. First, enrollment for the summer and fall terms of 2013 declined from that of the previous year's same terms by 7% and 5%, respectively. Student tuition and fees receivables declined by a corresponding \$0.5 million at June 30, 2013. Other receivables also decreased by \$0.5 million and government receivables increased by \$0.5 million, as a result of the delayed payments from the State of Illinois. Credit hour and equalization grants totaling \$666,309 from the Illinois Community College Board were receivable at year end. Monthly grant payments from the State were delayed throughout most of 2013. Through November 2013, almost all of the balances due from the State have now been received.

Non-current assets have decreased by approximately \$2.8 million (or -2.1%) due to the \$2.3 million decrease in net capital assets and the \$0.5 million decrease in long-term investments. Net capital assets decreased due to the annual increase in accumulated depreciation.

Current liabilities have increased by \$1,787,455 (or 5.2%) due to the combined effects of various factors. These factors were: (1) an increase of \$2,145,000 in the current portion of bonds payable; (2) an increase of almost \$486,000 in deferred property tax revenue due to the overall total levy increase; (3) a decrease of \$469,875 in deferred student tuition and fees due to the 7% and 5% declines in summer and fall 2013 term enrollments; and (4) a decrease of \$231,416 in accounts payables.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Total non-current liabilities decreased by \$4.4 million (or -5.2%) from 2012 balances as a result of the issuance of \$990,000 in new debt certificates, net of principal payments of \$3.2 million made during 2013 and the shifting of \$2,145,000 in non-current bonds to the current portion of bonds payable.

Fiscal Year 2012 Compared to Fiscal Year 2011

The College's net position at June 30, 2012 was \$54,711,732 and at June 30, 2011 was \$51,258,898, an increase of \$3,452,834 or 6.7%. The College had a current ratio of 1.26 at June 30, 2012, as compared to 1.21 at June 30, 2011. The current ratio is total current assets divided by total current liabilities. This means that for every dollar of current liabilities the College had \$1.26 in current assets. This ratio is one indicator of the College's ability to pay its debts as they become due.

Current assets increased by \$2,466,489 (or 6.1%) due to increases in each of the four types of accounts receivables. Accounts receivables increased from \$19.3 million in 2011 to \$21.5 million in 2012. The largest increases were in student, government and other receivables which increased by \$486,615, \$576,617 and \$885,506, respectively. Student receivables increased due to a \$5 per credit hour tuition and fees increase, modest enrollment increases, and continued increases in delinquent student accounts, as a result of the economy. Government and other receivables increases were due primarily to the State of Illinois and the federal government, for various grants. A \$512,500 Illinois Clean Energy grant, for our wind turbine, was receivable at year end, as was more than \$340,000 from the Illinois Green Economy Network for specific green initiatives. Credit hour grants totaling \$609,352 from the Illinois Community College Board were also receivable at year end. Monthly grant payments from the State were delayed throughout most of 2012. Through September, 2012, almost all of the balances due from the State had been received.

Non-current assets increased by more than \$6.2 million (or 5.0%) due to the corresponding increase in capital assets. This increase was largely the result of the purchase and installation of a commercial grade wind turbine at the main campus.

Current liabilities increased by \$661,427 (or 2.0%) due to the combined effects of various factors. These factors were: (1) an increase of more than \$350,000 in deferred property tax revenue due to the 1.0% increase in property tax values (from the 2010 to the 2011 tax levy year) and the overall total levy increase; (2) an increase of \$135,000 in the current portion of bonds payable; (3) an increase of \$126,970 in accrued bond interest payable; and (4) an increase of \$226,581 in other deferred revenues.

Total non-current liabilities increased by \$4,563,093 (or 5.7%) from 2011 balances as a result of the issuance of \$4.5 million in general obligation bonds and \$3.3 million in debt certificates, net of principal payments of \$3,065,000 during 2012.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Operating Results for the Years Ended
June 30
(in thousands)

	<u>2013</u>	<u>2012</u>	Increase (Decrease) <u>2013-2012</u>	Percent Change	<u>2011</u>	Increase (Decrease) <u>2012-2011</u>	Percent Change
Operating revenues							
Net tuition and fees	\$10,530	\$11,575	(\$1,045)	-9.0%	\$9,405	\$2,170	23.1%
Other	4,755	3,307	1,448	43.8%	2,004	1,303	65.0%
Total operating revenues	<u>15,285</u>	<u>14,882</u>	<u>403</u>	<u>2.7%</u>	<u>11,409</u>	<u>3,473</u>	<u>30.4%</u>
Less operating expenses	<u>53,911</u>	<u>52,962</u>	<u>949</u>	<u>1.8%</u>	<u>46,366</u>	<u>6,596</u>	<u>14.2%</u>
Operating (loss)	<u>(38,626)</u>	<u>(38,080)</u>	<u>(546)</u>	<u>1.4%</u>	<u>(34,957)</u>	<u>(3,123)</u>	<u>8.9%</u>
Non-operating revenues (expenses)							
Property taxes	19,799	19,503	296	1.5%	18,587	916	4.9%
SURS contribution by State	6,494	4,862	1,632	33.6%	3,477	1,385	39.8%
State grants and contracts	4,273	4,933	(660)	-13.4%	4,173	760	18.2%
Federal grants and contracts	9,840	12,459	(2,619)	-21.0%	11,283	1,176	10.4%
Investment income	17	201	(184)	-91.5%	40	161	402.5%
Interest expense	(3,692)	(388)	(3,304)	-851.5%	(329)	(59)	-17.9%
Amortization of debt issuance costs	(37)	(37)	0	0.0%	(29)	(8)	-27.6%
Total net non-operating revenue	<u>36,694</u>	<u>41,533</u>	<u>(4,839)</u>	<u>-11.7%</u>	<u>37,202</u>	<u>4,331</u>	<u>11.6%</u>
Change in net position	(1,932)	3,453	(5,385)	-156.0%	2,245	1,208	53.8%
Net position, beginning of year	<u>54,712</u>	<u>51,259</u>	<u>3,453</u>	<u>6.7%</u>	<u>49,014</u>	<u>2,245</u>	<u>4.6%</u>
Net position, end of year	<u>\$52,780</u>	<u>\$54,712</u>	<u>(\$1,932)</u>	<u>-3.5%</u>	<u>\$51,259</u>	<u>\$3,453</u>	<u>6.7%</u>
Total revenues	<u>\$55,708</u>	<u>\$56,840</u>	<u>(\$1,132)</u>	<u>-2.0%</u>	<u>\$48,969</u>	<u>7,871</u>	<u>16.1%</u>
Total expenses	<u>\$57,640</u>	<u>\$53,387</u>	<u>\$4,253</u>	<u>8.0%</u>	<u>\$46,724</u>	<u>6,663</u>	<u>14.3%</u>

Fiscal Year 2013 Revenues Compared to Fiscal Year 2012

For fiscal year 2013, total revenues were \$55,708,685, a decrease of more than \$1.1 million from 2012 total revenues. Total operating revenues increased by 2.7%. Student tuition and fees, net of scholarship allowances, decreased by \$1,045,276 (or -9.0%) due to the College's first-ever enrollment declines in both credit hours and headcounts during fiscal year 2013. Other operating and auxiliary revenues increased by \$1.4 million (or 43.8%) due to program and enrollment growth in continuing education programs.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Total net non-operating revenues decreased by \$4,838,209 (or -11.7%) from 2012. Federal grants and contracts decreased by \$2,618,372 (or -21.0%) due to the enrollment decline combined with stricter awarding of federal student awards and loans and receipt of a decreased number of competitive federal grants. During 2013, \$8,758,460 was awarded in federal student awards and student and parent loans, as compared to \$10,559,142 in 2012, a decrease of more than \$1.8 million (or -17.0%). State grants decreased by \$659,384 as a result of reductions from the State of Illinois for the monetary award program grant for students and the veterans grant programs. Property tax revenues increased by \$296,149 (or 1.5%) due to a combination of factors. The District's tax base increased in assessed valuation by slightly over 1.0% (from the 2010 levy year to the 2011 levy year.) In addition, the liability, protection and settlement fund levy increased by \$186,000 (or 8.2%) and the protection, health and safety levy increased by \$70,000. Interest expense increased by \$3.3 million (or more than 850%) due to the bond interest payment schedules. Investment income decreased by \$184,587 (or -91.5%) due to continued declining investment yields during fiscal year 2013. The \$1,631,926 (or 33.6%) increase in the SURS contribution non-operating revenue and operating expense is due to increased pension funding required by the State of Illinois.

For fiscal year 2013, total expenses were \$57,640,477 an increase of 8.0% over 2012. Net position decreased by \$1,931,792 (or -3.5%) which was 156% less than the net position change in 2012.

Fiscal Year 2012 Revenues Compared to Fiscal Year 2011

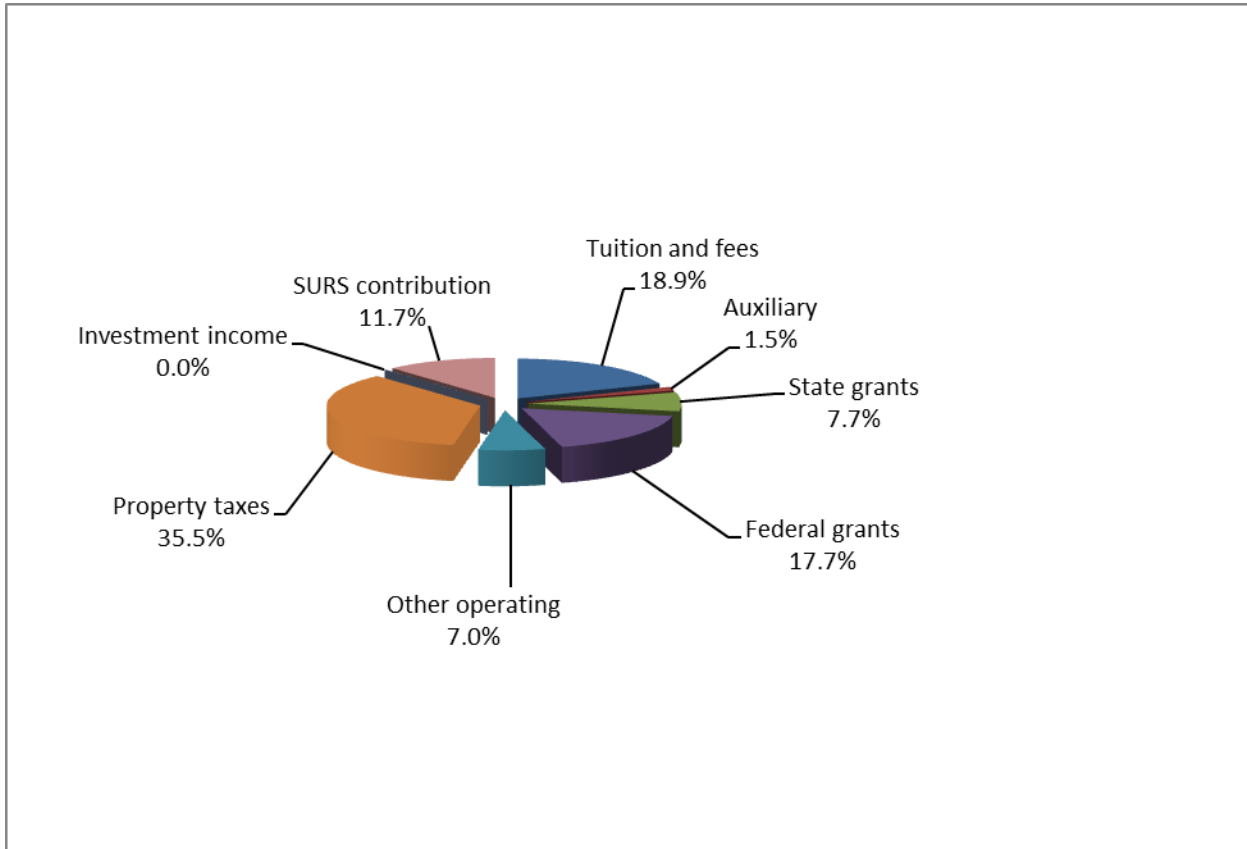
For fiscal year 2012, total revenues were \$56,840,037, an increase of more than \$7.8 million (or 16.1%) over 2011. Total operating revenues increased by 30.4%. Student tuition and fees, net of scholarship allowances, increased by \$2,169,865 (or 23.1%) due to an increase of 13.9% in the tuition and fees rate, combined with modest enrollment increases in credit hours and headcounts during fiscal year 2012. Other operating and auxiliary revenues increased by \$1.3 million (or 65.0%) due to program and enrollment growth in continuing education programs.

Total net non-operating revenues increased by 11.6% over 2011. Property tax revenue increased by \$915,355 (or 4.9%) due to a combination of factors. The District's tax base increased in assessed valuation by 1.7% (from the 2009 levy year to the 2010 levy year.) In addition, the bond and interest fund levy increased by \$507,151 or 8.2% over the 2009 levy and the liability, protection and settlement fund levy increased by \$171,000 and 8.1%. Federal grants and contracts increased by \$1,176,386 (or 10.4%) due to steady growth in the College's fourth year of participation in the federal student loan program and to an increased number of new federal grants, particularly those related to green economy and energy initiatives. During 2012, \$4,344,032 was awarded in federal student and parent loans as compared to \$4,170,978 in 2011, an increase of more than \$173,000 (or 4.1%). Economic conditions have continued to drive increases in the federal loan program. Interest expense increased by \$59,134 (or 17.9%) due to the bond interest payment schedules. Investment income increased by \$161,000 (or more than 400%) due to increased balances in cash and short-term investments and to slightly improved interest rates during fiscal year 2012. The \$1,384,566 (or 39.8%) increase in the SURS contribution non-operating revenue and operating expense is due to increased pension funding by the State of Illinois. Amortization of debt issuance costs increased by 27.6%.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For fiscal year 2012, total expenses were \$53,387,203 an increase of 14.3% over 2011. Net position increased by \$3,452,834 (or 6.7%) which was 53.8% more than the net position increase in 2011.

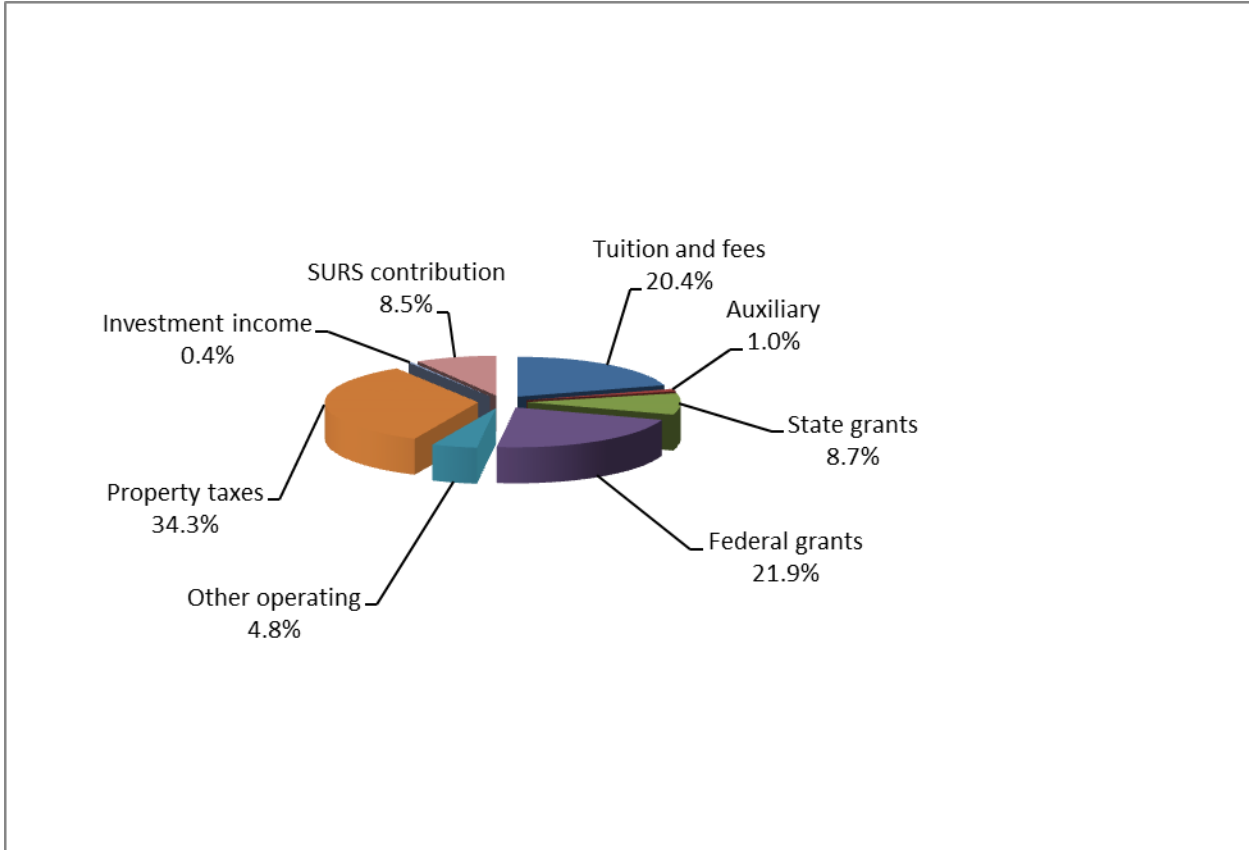
Following is a graphic illustration of revenues by source for fiscal year 2013:



The pie chart above shows all revenue from both operating and nonoperating. The chart shows that local property taxes accounted for the largest percentage of the College's revenue at 35.5%. The next highest was tuition and fees at 18.9%. Federal grants accounted for 17.7% of the College's revenue and State grants accounted for 7.7% during fiscal year 2013. The SURS contribution reflected 11.7% of total revenues. Other operating revenue accounted for 7.0% of revenues. Auxiliary and investment income were negligible contributing only 1.5% and less than 0.03% of total revenue, respectively.

For purposes of comparison, following is a graphic illustration of revenues by source for fiscal year 2012:

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**



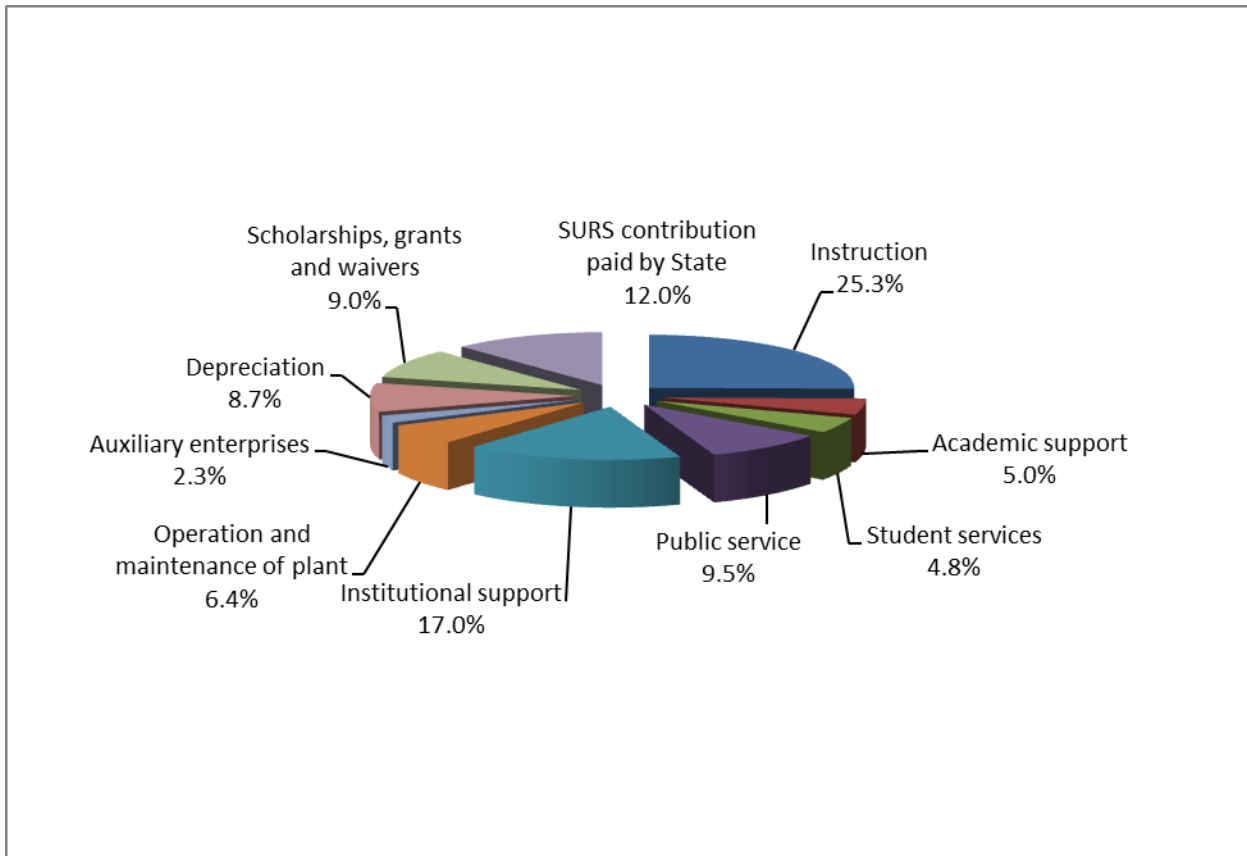
Operating Expenses by Program
For the Years Ended June 30,
(in thousands)

Program	2013	2012	Increase (Decrease) 2013-2012	Percent Change	2011	Increase (Decrease) 2012-2011	Percent Change
Instruction	\$13,617	\$13,865	(\$248)	-1.8%	\$12,556	\$1,309	10.4%
Academic support	2,672	2,531	141	5.6%	1,756	775	44.1%
Student services	2,579	2,827	(248)	-8.8%	2,509	318	12.7%
Public service	5,116	3,657	1,459	39.9%	2,820	837	29.7%
Institutional support	9,165	8,834	331	3.7%	7,885	949	12.0%
Operation and maintenance of plant	3,454	4,125	(671)	-16.3%	3,725	400	10.7%
Auxiliary enterprises	1,237	1,119	118	10.5%	1,763	(644)	-36.5%
Depreciation	4,722	4,431	291	6.6%	3,625	806	22.2%
Scholarships, grants and waivers	4,855	6,711	(1,856)	-27.7%	6,250	461	7.4%
SURS contribution paid by State	6,494	4,862	1,632	33.6%	3,477	1,385	39.8%
Total	\$53,911	\$52,962	\$949	1.8%	\$46,366	\$6,596	14.2%

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The pie chart following shows the operating expenses by program for fiscal year 2013 as a percentage of total expenses. Direct services to students accounted for 55.9% of total expenses. Direct services to students include: Instruction at 25.3%, Academic support at 5.0%, Student services at 4.8%, Public service at 9.5%, Scholarships, grants and waivers at 9.0%, and Auxiliary enterprises at 2.3%. Indirect services to students accounted for 44.1% of total expenses. Indirect services to students include: Operations and maintenance of plant at 6.4%, Institutional support at 17.0%, Depreciation at 8.7% and the SURS contribution at 12.0%.

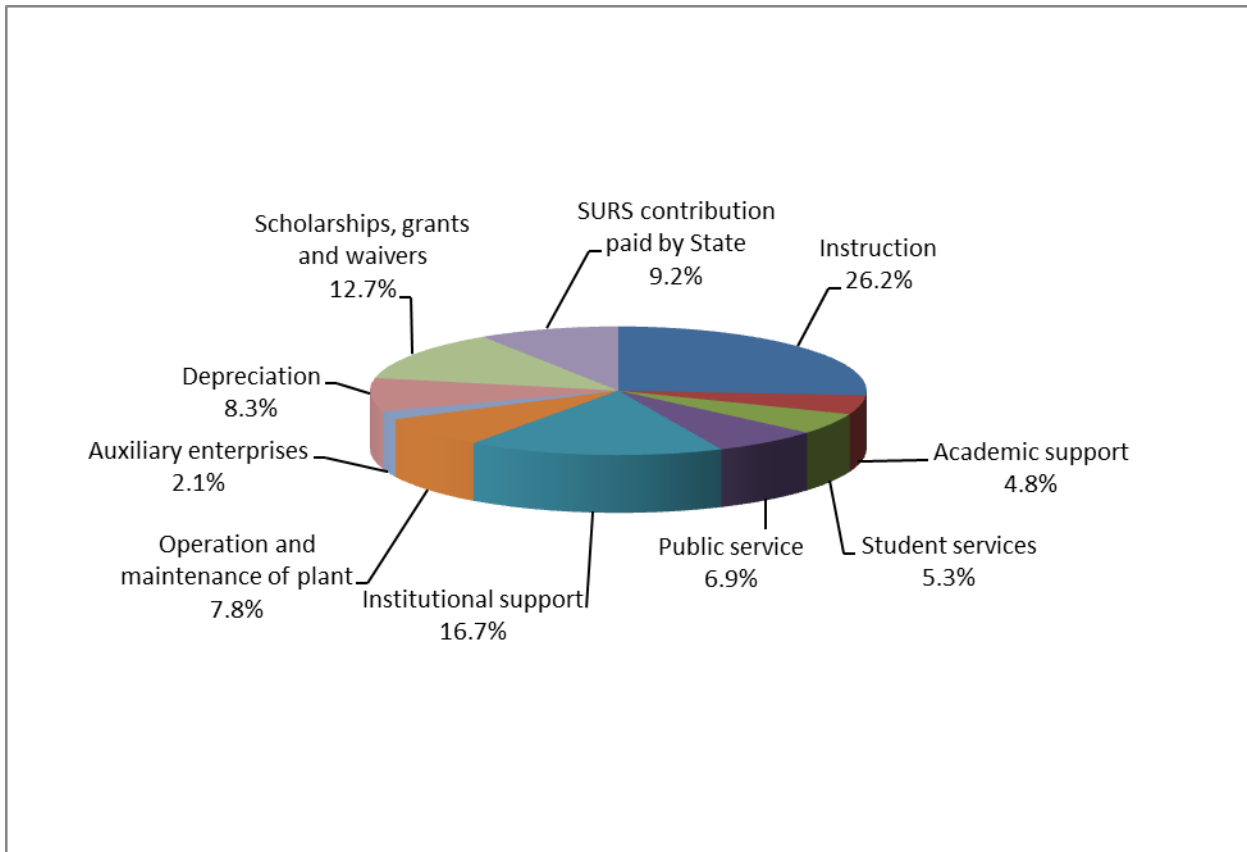
Operating Expenses by Program
Fiscal Year 2013



For purposes of comparison, following is a pie chart of the operating expenses by program for fiscal year 2012 as a percentage of total expenses.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Operating Expenses by Program
Fiscal Year 2012



Capital Assets

As of June 30, 2013, the College investment in capital assets totaled \$155.6 million. Capital assets net of accumulated depreciation of \$28.6 million totaled \$127.0 million. The 1.8% decrease in net capital assets as of June 30, 2013 is due to the increase in accumulated depreciation of almost 20%. Additional information regarding capital assets can be found in Note 4 to the financial statements. Following is an analysis of capital assets.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

	<u>2013</u>	<u>2012</u>	Increase (Decrease) <u>2013-2012</u>	Percent Change	<u>2011</u>	Increase (Decrease) <u>2012-2011</u>	Percent Change
Capital Assets not being depreciated							
Land	\$4,369	\$4,369	\$0	0.0%	\$4,369	\$0	0.0%
Construction-in-Progress	139	85	54	63.5%	281	(196)	-69.8%
Capital Assets being depreciated							
Buildings	121,097	121,097	0	0.0%	116,663	4,434	3.8%
Infrastructure	16,851	14,841	2,010	13.5%	14,268	573	4.0%
Furniture and equipment	13,154	12,758	396	3.1%	7,604	5,154	67.8%
Total	<u>155,610</u>	<u>153,150</u>	<u>2,460</u>	<u>1.6%</u>	<u>143,185</u>	<u>9,965</u>	<u>7.0%</u>
Less Accumulated Depreciation	<u>(28,637)</u>	<u>(23,915)</u>	<u>(4,722)</u>	<u>-19.7%</u>	<u>(19,700)</u>	<u>(4,215)</u>	<u>-21.4%</u>
Net Capital Assets	<u>\$126,973</u>	<u>\$129,235</u>	<u>(\$2,262)</u>	<u>-1.8%</u>	<u>\$123,485</u>	<u>\$5,750</u>	<u>4.7%</u>

Debt Administration

In September 2012, the College issued \$990,000 in limited tax debt certificates. Funds from these debt certificates were used to install and implement multiple facility improvement measures designed to control utility costs and promote the College sustainability commitment to reduce carbon-burning emissions. This project was pursued through an energy savings performance contract with an energy savings company. The debt financing will be serviced through operations and the resulting energy savings from the project.

The College paid \$3,200,000 in bond and debt certificate principal and \$90,293 in principal on capital leases during fiscal year 2013. Compensated absences for employee vacations increased by a net amount of \$68,883 or 6.4%. Additional information regarding long-term liabilities can be found in Note 6 to the financial statements. Following is an analysis of long-term liabilities.

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

	<u>2013</u>	<u>2012</u>	Increase (Decrease) <u>2013-2012</u>	Percent Change	<u>2011</u>	Increase (Decrease) <u>2012-2011</u>	Percent Change
Long-term debt							
General obligation bonds and debt certificates	\$84,805	\$87,015	(\$2,210)	-2.5%	\$82,280	\$4,735	5.8%
Compensated absences	1,150	1,081	69	6.4%	974	107	11.0%
Capital lease obligations	94	184	(90)	-48.9%	267	(83)	-31.1%
Total	<u>\$86,049</u>	<u>\$88,280</u>	<u>(\$2,231)</u>	<u>-2.5%</u>	<u>\$83,521</u>	<u>\$4,759</u>	<u>5.7%</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Contacting Heartland's Financial Management

This financial report is designed to provide the College's Board of Trustees, State Officials, Legislature, taxpayers, students, and other interested parties with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or would like to request additional financial information, contact Sue A. Gilpin, Controller. College budgets and audited financial reports are also available on the College website at www.heartland.edu/bs/bo

Other

Management is not aware of any other currently known facts, decisions, or conditions that would have a significant effect on the College's financial position (net position) or results of operations (revenues, expenses, and other changes in net position).

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
STATEMENTS OF NET POSITION
June 30, 2013 and 2012**

ASSETS				
	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>College</u>		<u>Foundation</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 14,143,959	\$ 14,449,283	\$ 441,591	\$ 256,347
Short-term investments	4,988,251	6,144,072	1,437,689	985,926
Accounts receivable:				
Property taxes	11,736,716	11,505,259	-	-
Student tuition and fees, net of allowance of \$437,000 for 2013 and \$367,000 for 2012	5,967,910	6,487,991	-	-
Government	2,789,043	2,263,590	-	-
Pledges receivable	-	-	500,000	-
Other receivables	611,465	1,204,772	69,297	13,342
Accrued interest receivable	6,632	5,532	7	17
Prepaid items	891,612	852,371	120	-
Debt issuance costs, net	23,431	23,430	-	-
Other current assets	<u>287,648</u>	<u>273,153</u>	<u>-</u>	<u>-</u>
Total current assets	<u>41,446,667</u>	<u>43,209,453</u>	<u>2,448,704</u>	<u>1,255,632</u>
NONCURRENT ASSETS				
Long-term Investments	248,200	743,128	72,941	-
Pledges receivable	-	-	500,000	-
Debt issuance costs, net	225,977	262,836	-	-
Capital assets not being depreciated	4,508,234	4,453,510	-	-
Capital assets, net of depreciation	<u>122,464,532</u>	<u>124,780,958</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>127,446,943</u>	<u>130,240,432</u>	<u>572,941</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 168,893,610</u>	<u>\$ 173,449,885</u>	<u>\$ 3,021,645</u>	<u>\$ 1,255,632</u>

LIABILITIES AND NET POSITION

	<u>Primary Government</u> College		<u>Component Unit</u> Foundation	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES				
Accounts payable	\$ 942,168	\$ 1,173,584	72,988	19,130
Accrued liabilities	1,394,679	1,386,793	-	-
Accrued interest payable	397,657	450,098	-	-
Deposit for bonds	188,464	194,688	-	-
Deferred revenue:				
Property taxes	20,324,387	19,838,409	-	-
Student tuition and fees	6,264,628	6,734,503	-	-
Other	553,093	680,074	-	-
Accrued compensated absences	574,889	540,447	-	-
Bonds payable	5,345,000	3,200,000	-	-
Capital lease obligations	91,380	90,294	-	-
	<u>36,076,345</u>	<u>34,288,890</u>	<u>72,988</u>	<u>19,130</u>
Total current liabilities				
NONCURRENT LIABILITIES				
Accrued compensated absences	574,889	540,448	-	-
Bonds and debt certificates	79,460,000	83,815,000	-	-
Capital lease obligations	2,436	93,815	-	-
	<u>80,037,325</u>	<u>84,449,263</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities				
	<u>116,113,670</u>	<u>118,738,153</u>	<u>72,988</u>	<u>19,130</u>
Total liabilities				
NET POSITION				
Net investment in capital assets	46,573,950	46,469,388	-	-
Restricted for:				
Capital projects	651,580	384,545	-	-
Working cash	3,900,000	3,900,000	-	-
Specific purposes	142,602	24,509	2,441,948	818,028
Unrestricted	1,511,808	3,933,290	506,709	418,474
	<u>52,779,940</u>	<u>54,711,732</u>	<u>2,948,657</u>	<u>1,236,502</u>
Total net position				

The accompanying notes are an integral part of the financial statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Years Ended June 30, 2013 and 2012**

	<u>Primary Government</u> College		<u>Component Unit</u> Foundation	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances \$7,020,850 for 2013; \$6,296,198 for 2012)	\$ 10,529,999	\$ 11,575,275	\$ -	\$ -
Auxiliary enterprises revenue	856,864	584,994	-	-
Annual campaign/gifts	-	-	1,752,457	231,295
Fundraising	-	-	195,950	185,471
Other operating revenues	3,898,230	2,721,908	27	-
Total operating revenue	<u>15,285,093</u>	<u>14,882,177</u>	<u>1,948,434</u>	<u>416,766</u>
OPERATING EXPENSES				
Institutional support	9,165,271	8,833,998	-	-
Instruction	13,616,377	13,865,346	-	-
Scholarships, student grants and waivers	4,854,931	6,710,771	179,734	133,710
Operations and maintenance	3,454,321	4,124,979	-	-
Student services	2,578,637	2,826,803	-	-
Academic support	2,672,241	2,531,533	-	-
Public services	5,116,227	3,657,252	-	-
Depreciation	4,722,293	4,430,553	-	-
SURS contribution paid by state	6,493,851	4,861,925	-	-
Auxiliary enterprises	1,237,178	1,118,834	-	-
General and administrative	-	-	91,565	65,946
Fundraising	-	-	62,101	55,247
Total operating expenses	<u>53,911,327</u>	<u>52,961,994</u>	<u>333,400</u>	<u>254,903</u>
Operating income (loss)	<u>(38,626,234)</u>	<u>(38,079,817)</u>	<u>1,615,034</u>	<u>161,863</u>
NONOPERATING REVENUES (EXPENSES)				
Property taxes	19,798,786	19,502,637	-	-
State grants and contracts	4,273,349	4,932,733	-	-
Federal grants and contracts	9,840,696	12,459,068	-	-
Interest expense	(3,692,292)	(388,353)	-	-
Investment income	16,910	201,497	97,121	16,326
Amortization of debt issuance costs	(36,858)	(36,856)	-	-
SURS contribution provided by state	6,493,851	4,861,925	-	-
Total nonoperating revenues (expenses)	<u>36,694,442</u>	<u>41,532,651</u>	<u>97,121</u>	<u>16,326</u>
Increase (decrease) in net position	<u>(1,931,792)</u>	<u>3,452,834</u>	<u>1,712,155</u>	<u>178,189</u>
NET POSITION				
Beginning of year	<u>54,711,732</u>	<u>51,258,898</u>	<u>1,236,502</u>	<u>1,058,313</u>
End of year	<u>\$ 52,779,940</u>	<u>\$ 54,711,732</u>	<u>\$ 2,948,657</u>	<u>\$ 1,236,502</u>

The accompanying notes are an integral part of the financial statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012**

	<u>Primary Government</u> <u>College</u>		<u>Component Unit</u> <u>Foundation</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 10,580,205	\$ 17,062,849	\$ -	\$ -
Payments to suppliers	(21,602,643)	(28,666,825)	(99,927)	(128,550)
Payments to employees	(21,307,147)	(21,328,749)	-	-
Auxiliary enterprise charges	856,864	584,994	-	-
Receipts from contributors	-	-	752,484	231,295
Receipts from fundraising activities	-	-	139,994	176,836
Payments for scholarships	-	-	(179,734)	(132,612)
Other	4,364,556	2,062,983	-	-
Net cash provided by (used in) operating activities	<u>(27,108,165)</u>	<u>(30,284,748)</u>	<u>612,817</u>	<u>146,969</u>
CASH FLOWS FROM NONCAPITAL FINANCING				
Property taxes	20,053,307	19,684,836	-	-
State, federal and local grants and contracts	13,588,592	16,815,184	-	-
Proceeds from debt certificates	-	4,500,000	-	-
Principal payments on debt certificates	-	(4,500,000)	-	-
Net cash provided by noncapital financing activities	<u>33,641,899</u>	<u>36,500,020</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(2,460,591)	(6,748,499)	-	-
Proceeds from debt certificates	990,000	3,300,000	-	-
Proceeds from bonds	-	4,500,000	-	-
Principal payments on bonds payable	(3,200,000)	(3,065,000)	-	-
Interest payments on long-term debt	(3,744,733)	(3,693,029)	-	-
Principal payments on capital leases	(90,293)	(82,991)	-	-
Net cash used in capital and related financing activities	<u>(8,505,617)</u>	<u>(5,789,519)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	15,810	204,856	36,568	30,121
Proceeds from maturities of investments	20,503,183	17,031,806	-	-
Purchases of investments	(18,852,434)	(15,803,927)	(464,141)	(231,679)
Net cash provided by (used in) investing activities	<u>1,666,559</u>	<u>1,432,735</u>	<u>(427,573)</u>	<u>(201,558)</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012**

	<u>Primary Government</u> College		<u>Component Unit</u> Foundation	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (305,324)	\$ 1,858,488	\$ 185,244	\$ (54,589)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,449,283</u>	<u>12,590,795</u>	<u>256,347</u>	<u>310,936</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 14,143,959</u>	<u>\$ 14,449,283</u>	<u>\$ 441,591</u>	<u>\$ 256,347</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (38,626,234)	\$ (38,079,817)	\$ 1,615,034	\$ 161,863
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,722,293	4,430,553	-	-
SURS contribution paid by state	6,493,851	4,861,925	-	-
Change in assets and liabilities:				
Receivables	1,113,388	(1,372,121)	(1,000,000)	(13,342)
Prepaid items	(76,099)	(181,449)	(120)	3,763
Other	22,363	(35,653)	(55,955)	944
Accounts payable	(231,416)	(82,150)	53,858	(6,259)
Accrued liabilities	7,886	82,188	-	-
Deferred tuition and fees	(469,875)	(295,009)	-	-
Deferred other revenue	(126,981)	226,581	-	-
Deposits	(6,224)	53,431	-	-
Accrued compensated absences	68,883	106,773	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (27,108,165)</u>	<u>\$ (30,284,748)</u>	<u>\$ 612,817</u>	<u>\$ 146,969</u>

The accompanying notes are an integral part of the financial statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

Organization

Heartland Community College, Community College District #540 (District or College) is a public community college serving portions of DeWitt, Ford, Livingston, Logan, McLean, and Tazewell Counties. It was established in 1990 and is governed by a Board of Trustees elected by the residents of the District. The Board is responsible for establishing the policies and procedures of the District.

Revenues are substantially generated as a result of taxes assessed and allocated to the District and grants received from state and federal governmental agencies. The District's revenues are, therefore, primarily dependent upon the availability of funds at the state and federal level and the economy within its territorial boundaries. Industries within the territorial area are primarily manufacturing, insurance, retail, and agricultural.

Significant Accounting Policies

Financial Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. A component unit is a legally separate entity that meets all of the following requirements:

- The economic resources received or held by an organization are entirely or almost entirely for the direct benefit of the District,
- The District is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and
- The economic resources received or held by an organization that the District is entitled to, or has the ability to otherwise access, are significant to the District.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)

Based on the foregoing criteria, the Heartland Community College Foundation (Foundation) is considered to be a component unit and is discretely presented in the basic financial statements.

The Foundation assists the District and its students in the form of scholarships and grants from the Foundation's fundraising efforts. Total student scholarships awarded for the years ended June 30, 2013 and 2012 were \$179,734 and \$133,710, respectively.

The Foundation is a legally separate, tax-exempt component unit of the District. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the District in support of its programs. The Foundation is governed by a separate board of directors. Although the District 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 District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the District, the Foundation is considered to be a component unit of the District.

The Foundation is a private not-for-profit organization that reports its financial results under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Most significant to the Foundation's operations and reporting models is FASB ASC 958 related to accounting for contributions received and financial reporting for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Separate financial statements of the Foundation are available. Requests should be made to Robert D. Widmer, Secretary/Treasurer of the Foundation, at 309-268-8106.

Basis of Accounting

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

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

Investments

Investment securities are stated at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, except money market investments with maturities of one year or less and certificates of deposit which are stated at cost, which approximates fair value. Fair values for investment securities are based on quoted market prices. Income is recognized on the accrual basis of accounting. Changes in the carrying value of investments, resulting in unrealized gains or losses are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. The types of investments allowed are regulated by Illinois state laws and include municipal bonds, U.S. Government or Illinois obligations, insured deposits or other investments of state or national banks, Federal National Mortgage Association obligations, Illinois Funds, and agreements collateralized by securities or mortgages in an amount at least equal to the market value of the funds deposited.

Property Taxes

The District's property taxes are levied each calendar year on all taxable real property located in the District. Property taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the units their respective shares of the collections. Taxes levied in 2012 become due and payable in two installments (June and September 2013). In accordance with Board resolution, property taxes extended for the 2012 tax year and collected in 2013 are recorded as revenue in fiscal year 2014. Uncollected taxes are sold by the County Collector in order that those taxes can be distributed to respective taxing bodies. Final distribution on the current year levy is made by the County Collector's office at a date after the tax sale, usually no later than during the first quarter of the following year.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (such as roads and sidewalks), and intangibles (software and other) which are reported at cost at the date of acquisition or their estimated fair value at the date of donation. The District's capitalization policy includes all items with an initial unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations to buildings, infrastructure, and land improvements that increase the value more than \$50,000 or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed, with interest accrued during the construction period.

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

<u>Assets</u>	<u>Years</u>
Land improvements	10-20
Buildings and infrastructure	40-60
Furniture and equipment	3-10

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage covering each of these risks of loss, except for health care for which the District is self-insured. The District has not had significant reductions in insurance coverage for the past two years. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years.

Deferred Tuition and Grant Revenues

Tuition collected prior to June 30 for the subsequent fall semester and the portion of tuition collected for the summer session that is not earned as of June 30, is recorded as deferred revenue at June 30 and recognized as revenue in the following year.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of general obligation bonds, debt certificates and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Scholarship Discounts and Allowances

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

On-behalf Payments for Fringe Benefits and Salaries

The District recognizes as revenues and expenses contributions made by the State of Illinois to the State Universities Retirement System on behalf of the District's employees. In fiscal years 2013 and 2012, the State made contributions of \$6,493,851 and \$4,861,925, respectively.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Net Position

The District's net position is classified as follows:

- **Net Investment in Capital Assets:** This represents the District's total investment in capital assets, net of accumulated depreciation and outstanding debt incurred to acquire, construct, or improve those assets. Net investment in capital assets excludes unspent debt proceeds. As of June 30, 2013 and 2012, the District had \$1,628,302 and \$4,398,376, respectively, of unspent bond proceeds.
- **Restricted Net Position:** This includes resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources when they are needed.
- **Unrestricted:** This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees and (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Nonoperating revenue includes 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.

Classification of Expenses

Operating expenses are those expenses for the purpose of providing educational and operational activities of the College, such as (1) salaries, (2) scholarships, (3) operations and maintenance, (4) depreciation, and (5) expenses of auxiliary enterprises. Nonoperating expenses include expenses such as interest and amortization.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Policies (Continued)

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Loans, Student Support Services, and other educational programs. Federal programs are subject to an audit in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

Reclassification

Certain amounts in the 2012 basic financial statements have been reclassified to conform with the 2013 presentation. Such reclassifications have no effect on previously reported net position or changes in net position.

NOTE 2 - DEPOSITS AND INVESTMENTS

	<u>2013</u>	<u>2012</u>
Deposits:		
At June 30, 2013 and 2012, the District's deposits had the following balances:		
Cash and cash equivalents	\$ 14,143,959	\$ 14,449,283
Investments and certificates of deposit	<u>5,236,451</u>	<u>6,887,200</u>
	19,380,410	21,336,483
Less:		
Illinois Funds	(1,682,970)	(2,342,176)
Illinois School District Liquid Asset Fund (ISDLAF)	<u>(10,535,174)</u>	<u>(8,272,073)</u>
Carrying amount of deposits	<u>\$ 7,162,266</u>	<u>\$ 10,722,234</u>

Investments

At June 30, 2013, the District's investment balances were as follows:

	<u>Fair Market Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>	<u>Rating</u>
ISDLAF	<u>\$ 5,236,451</u>	<u>\$ 4,988,251</u>	<u>\$ 248,200</u>	AAA Standard & Poor's

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

At June 30, 2012, the District's investment balances were as follows:

	<u>Fair Market Value</u>	<u>Less Than 1 Year</u>	<u>More Than 1 Year</u>	<u>Rating</u>
ISDLAF	<u>\$12,272,073</u>	<u>\$12,272,073</u>	<u>\$ -</u>	AAAm Standard & Poor's

Credit Risk

Credit risk is the risk that the District will not recover its investments due to the inability of the counterparty to fulfill its obligation. Illinois statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies, interest-bearing savings accounts, interest-bearing time deposits, money market mutual funds registered under the Investment Company Act of 1940 (limited to U.S. Government obligations), shares issued by savings and loan associations (provided the investments are insured by the Federal Savings and Loan Insurance Corporation (FSLIC)), short-term discount obligations issued by the Federal National Mortgage Association, share accounts of certain credit unions, securities issued by the Illinois Funds, investments in the ISDLAF, and certain repurchase agreements.

The Board of Trustees has authorized the District to invest funds in accordance with the Illinois Community College Act and the Investment of Public Funds Act with the exception that investments are not permitted in short-term obligations of U.S. corporations.

Custodial Credit Risk

Investments and deposits held by a financial institution which are in excess of \$250,000 are permitted if pledged securities are obtained to fully collateralize the investment and deposits. All of the District's investments and deposits are held in the District's name and are not subject to creditors of the custodial institution.

Concentration of Credit Risk

The District may be invested in a single institution so long as such funds do not exceed 30 percent of the institution's capital structure.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

The State Treasurer maintains the Illinois Funds at cost through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the pool at less than 25 days. The fair value of the District's investment in the funds is the same as the value of the pool shares. The pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. All funds deposited in the pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provision of the Illinois Public Investment Act, 30 ILCS 235. The Illinois Funds is rated AAAM by Standard & Poors.

The ISDLAF is an investment trust formed pursuant to the Illinois Municipal Code and managed by a Board of Trustees elected from the participating members. The ISDLAF is not registered with the SEC as an investment company. Investments in the ISDLAF are valued at share price, which is the price the investment could be sold for.

NOTE 3 - PROPERTY TAXES

Property taxes are recorded as deferred revenue in the year of the levy and are recognized as revenue in the following year for which they are budgeted. Accordingly, at June 30, 2013 and 2012, the District had \$20,324,387 and \$19,838,409, respectively, of deferred property tax revenue.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 4 - CAPITAL ASSETS

The following tables present the changes in the various capital asset categories for fiscal years 2013 and 2012.

Capital Assets - Fiscal Year 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 4,368,661	\$ -	\$ -	\$ 4,368,661
Construction-in-progress	<u>84,849</u>	<u>54,724</u>	<u>-</u>	<u>139,573</u>
Total capital assets not being depreciated	<u>4,453,510</u>	<u>54,724</u>	<u>-</u>	<u>4,508,234</u>
Capital assets being depreciated:				
Furniture and equipment	12,757,921	396,613	-	13,154,534
Buildings	121,096,775	-	-	121,096,775
Infrastructure	<u>14,841,445</u>	<u>2,009,254</u>	<u>-</u>	<u>16,850,699</u>
Total capital assets being depreciated	<u>148,696,141</u>	<u>2,405,867</u>	<u>-</u>	<u>151,102,008</u>
Less accumulated depreciation for:				
Furniture and equipment	(5,874,013)	(954,735)	-	(6,828,748)
Buildings	(12,824,870)	(3,007,126)	-	(15,831,996)
Infrastructure	<u>(5,216,300)</u>	<u>(760,432)</u>	<u>-</u>	<u>(5,976,732)</u>
Total accumulated depreciation	<u>(23,915,183)</u>	<u>(4,722,293)</u>	<u>-</u>	<u>(28,637,476)</u>
Net capital assets being depreciated	<u>124,780,958</u>	<u>(2,316,426)</u>	<u>-</u>	<u>122,464,532</u>
Net capital assets	<u>\$ 129,234,468</u>	<u>\$ (2,261,702)</u>	<u>\$ -</u>	<u>\$ 126,972,766</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

During 2012, the College began a construction-in-progress project for a National Guard Readiness Center. The total estimated cost of the College's share of the entire project is \$495,000 and is projected to be completed by June 2014. The estimated cost of completion of the contract at June 30, 2013 is \$437,938.

Capital Assets - Fiscal Year 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 4,368,661	\$ -	\$ -	\$ 4,368,661
Construction-in-progress	<u>281,167</u>	<u>4,111,529</u>	<u>(4,307,847)</u>	<u>84,849</u>
Total capital assets not being depreciated	<u>4,649,828</u>	<u>4,111,529</u>	<u>(4,307,847)</u>	<u>4,453,510</u>
Capital assets being depreciated:				
Furniture and equipment	7,604,087	5,369,680	(215,846)	12,757,921
Buildings	116,663,486	4,433,289	-	121,096,775
Infrastructure	<u>14,267,947</u>	<u>573,498</u>	<u>-</u>	<u>14,841,445</u>
Total capital assets being depreciated	<u>138,535,520</u>	<u>10,376,467</u>	<u>(215,846)</u>	<u>148,696,141</u>
Less accumulated depreciation for:				
Furniture and equipment	(5,325,433)	(764,426)	215,846	(5,874,013)
Buildings	(9,884,297)	(2,940,573)	-	(12,824,870)
Infrastructure	<u>(4,490,744)</u>	<u>(725,556)</u>	<u>-</u>	<u>(5,216,300)</u>
Total accumulated depreciation	<u>(19,700,474)</u>	<u>(4,430,555)</u>	<u>215,846</u>	<u>(23,915,183)</u>
Net capital assets being depreciated	<u>118,835,046</u>	<u>5,945,912</u>	<u>-</u>	<u>124,780,958</u>
Net capital assets	<u>\$ 123,484,874</u>	<u>\$ 10,057,441</u>	<u>\$ (4,307,847)</u>	<u>\$ 129,234,468</u>

As of June 2012, the College completed the College Development Plan, which included the purchase and installation of a wind turbine, remodels of the math lab and student commons building, and the completion of the Phase II construction project. The total cost of the entire project was approximately \$79,000,000 and was included in construction-in-progress during the prior two years. In 2012, the District's total interest incurred for revenue bonds equaled \$3.9 million of which \$3.4 million was capitalized within construction-in-progress related to this project.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 5 - SHORT-TERM DEBT

In March 2012, the District issued \$4,500,000 of General Obligation Debt Certificates, Series 2012, dated March 15, 2012. The proceeds were used to fund instructional and administrative technology projects. These certificates were paid in full in June 2012.

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 is as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Balance Due Within One Year</u>
General obligation bonds and debt certificates	\$ 87,015,000	\$ 990,000	\$ (3,200,000)	\$ 84,805,000	\$ 5,345,000
Capital lease obligations	184,109	-	(90,293)	93,816	91,380
Compensated absences	<u>1,080,895</u>	<u>783,818</u>	<u>(714,935)</u>	<u>1,149,778</u>	<u>574,889</u>
Total	<u>\$ 88,280,004</u>	<u>\$ 1,773,818</u>	<u>\$ (4,005,228)</u>	<u>\$ 86,048,594</u>	<u>\$ 6,011,269</u>

Long-term liability activity for the year ended June 30, 2012 is as follows:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Balance Due Within One Year</u>
General obligation bonds and debt certificates	\$ 82,280,000	\$ 12,300,000	\$ (7,565,000)	\$ 87,015,000	\$ 3,200,000
Capital lease obligations	267,100	-	(82,991)	184,109	90,294
Compensated absences	<u>974,122</u>	<u>593,834</u>	<u>(487,061)</u>	<u>1,080,895</u>	<u>540,447</u>
Total	<u>\$ 83,521,222</u>	<u>\$ 12,893,834</u>	<u>\$ (8,135,052)</u>	<u>\$ 88,280,004</u>	<u>\$ 3,830,741</u>

Accrued compensated absences (earned vacation leave) at June 30, 2013 and 2012 is \$1,149,778 and \$1,080,895, respectively, and is expected to be paid out ratably or taken over the next two years.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

In September 2012, the District issued \$990,000 in General Obligation Debt Certificates, Series 2012, dated September 1, 2012. Proceeds of the certificates were used to finance capital improvements. Principal on the certificates is due annually beginning with December 1, 2013 through December 1, 2022, with interest rates ranging from 1.10 to 2.45 percent. Interest payments are due semiannually beginning December 1, 2013.

The annual requirements to amortize these general obligation bonds outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 90,000	\$ 29,150	\$ 119,150
2015	100,000	15,400	115,400
2016	100,000	14,275	114,275
2017	100,000	13,075	113,075
2018	100,000	11,675	111,675
2019-2023	<u>500,000</u>	<u>28,900</u>	<u>528,900</u>
	<u>\$ 990,000</u>	<u>\$ 112,475</u>	<u>\$ 1,102,475</u>

In June 2012, the District issued \$4,500,000 in General Obligation Community College Bonds, Series 2012, dated June 1, 2012. The Series 2012 bonds are due December 1, 2015, and have interest rates ranging from 1.0 to 2.0 percent. The proceeds were used to finance new instructional and institutional technology, various facility improvement measures designed to enhance the operational efficiency of college buildings, including the acquisition, installation and related training for technology infrastructure, equipment, software and services.

The annual requirements to amortize these general obligation bonds outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 1,600,000	\$ 140,000	\$ 1,740,000
2015	2,100,000	37,000	2,137,000
2016	<u>800,000</u>	<u>8,000</u>	<u>808,000</u>
	<u>\$ 4,500,000</u>	<u>\$ 185,000</u>	<u>\$ 4,685,000</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

In September 2011, the District issued \$3,300,000 in General Obligation Debt Certificates, Series 2011, dated September 1, 2011. The Series 2011 certificates are due December 1, 2026, and have interest rates ranging from 2.0 to 4.0 percent. The proceeds were used to fund the construction of a wind turbine.

The annual requirements to amortize these general obligation debt certificates outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 190,000	\$ 103,850	\$ 293,850
2015	195,000	100,000	295,000
2016	200,000	96,050	296,050
2017	205,000	92,000	297,000
2018	210,000	86,800	296,800
2019-2023	1,140,000	324,225	1,464,225
2024-2027	<u>1,060,000</u>	<u>86,800</u>	<u>1,146,800</u>
	<u>\$ 3,200,000</u>	<u>\$ 889,725</u>	<u>\$ 4,089,725</u>

In October 2010, the District issued \$1,700,000 in General Obligation Debt Certificates, Series 2010, dated October 28, 2010. The Series 2010 certificates are due December 1, 2013, and have interest rates of 2.4 percent. The proceeds were used to fund the purchase of real property adjacent to the campus.

The annual requirements to amortize these general obligation debt certificates outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	<u>\$ 1,700,000</u>	<u>\$ 20,187</u>	<u>\$ 1,720,187</u>

On November 1, 2009, the District issued taxable and tax exempt General Obligation Community College Bonds, Series 2009A, in the amount of \$1,500,000 and Series 2009B, in the amount of \$3,000,000. The Series 2009A bonds were due on December 1, 2011 with an interest rate of 1.5 percent, and have been fully retired. The Series 2009B bonds are due December 1, 2013 and have interest rates ranging between 2.0 and 2.5 percent. Proceeds of the Bonds were used to retire the District's outstanding \$4,500,000 General Obligation Debt Certificates, dated August 3, 2009, which were issued to fund instructional and administrative technology projects.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize these general obligation bonds outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ <u>300,000</u>	\$ <u>3,750</u>	\$ <u>303,750</u>

On July 1, 2007, the District issued General Obligation Community College Bonds, Series 2007, in the amount of \$72,805,000, due on December 1, 2013 through December 1, 2026 with interest rates ranging from 3 to 5 percent. Proceeds of the Bonds were used to fund and pay claims against the District, consisting of the refunding of the District's outstanding \$59,000,000 General Obligation Debt Certificates, dated April 12, 2007, which were issued to construct and equip new buildings, repair existing buildings, improve sites and construct a wind generation facility, advance refund all or a portion of the District's outstanding General Obligation Community College Bonds, Series 2000, dated May 1, 2000 (the *Series 2000 Bonds*), General Obligation Community College Bonds, Series 2002, dated June 1, 2002 (the *Series 2002 Bonds*), General Obligation Community College Bonds, Series 2004, dated August 1, 2004 (the *Series 2004 Bonds*) and General Obligation Community College Bonds, Series 2006, dated June 1, 2006 (the *Series 2006 Bonds*) and pay for certain costs of issuance.

The annual requirements to amortize these general obligation bonds outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 155,000	\$ 3,427,775	\$ 3,582,775
2015	1,915,000	3,376,025	5,291,025
2016	2,380,000	3,268,650	5,648,650
2017	2,870,000	3,137,400	6,007,400
2018	3,390,000	2,980,900	6,370,900
2019-2023	26,310,000	11,535,000	37,845,000
2024-2027	<u>35,785,000</u>	<u>3,090,775</u>	<u>38,875,775</u>
	<u>\$72,805,000</u>	<u>\$30,816,525</u>	<u>\$ 103,621,525</u>

The District has outstanding general obligation bonds with an original issue of \$11,500,000 dated June 1, 2002. Proceeds of the bonds were used to finance capital improvements and to fund and pay claims against the District, including the refunding of the District's outstanding General Obligation Debt Certificates, Series 2002, dated March 19, 2002, and General Obligation Bonds, Series 1995, dated July 1, 1995. Principal on the bonds is due serially January 1, 2005 through January 1, 2014, with interest rates ranging from 4.60 to 4.70 percent. Interest payments are due semiannually beginning January 1, 2004.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The annual requirements to amortize these general obligation bonds outstanding are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	<u>\$ 1,310,000</u>	<u>\$ 61,570</u>	<u>\$ 1,371,570</u>

The District is leasing equipment under several capital leases which expire through fiscal year 2015. The total equipment acquired under these leases was \$393,824 and the accumulated depreciation was \$253,400. Monthly payments began in June 2009 with the final payment due in August 2014. The interest rates on the leases range from 6.78 to 13.63 percent.

The annual requirements on these capital leases as of June 30, 2013 were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 91,380	\$ 4,447	\$ 95,827
2015	<u>2,436</u>	<u>37</u>	<u>2,473</u>
	<u>\$ 93,816</u>	<u>\$ 4,484</u>	<u>\$ 98,300</u>

At June 30, 2013, the annual requirements to retire the District's long-term debt were as follows:

<u>Fiscal Year</u>	<u>General Obligation Bonds and Debt Certificates</u>	<u>Capital Lease Obligations</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Principal and Interest</u>
2014	\$ 5,345,000	\$ 91,380	\$ 5,436,380	\$ 3,790,729	\$ 9,227,109
2015	4,310,000	2,436	4,312,436	3,528,462	7,840,898
2016	3,480,000	-	3,480,000	3,386,975	6,866,975
2017	3,175,000	-	3,175,000	3,242,475	6,417,475
2018	3,700,000	-	3,700,000	3,079,375	6,779,375
2019-2023	27,950,000	-	27,950,000	11,888,125	39,838,125
2024-2027	<u>36,845,000</u>	<u>-</u>	<u>36,845,000</u>	<u>3,177,575</u>	<u>40,022,575</u>
	<u>\$84,805,000</u>	<u>\$ 93,816</u>	<u>\$84,898,816</u>	<u>\$32,093,716</u>	<u>\$116,992,532</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

At June 30, 2013, the legal debt limit was \$118,784,560 based on a statutory limit of 2.875 percent of assessed valuation of \$4,131,636,881. At June 30, 2012, the legal debt limit was \$119,635,585 based on a statutory limit of 2.875 percent of assessed valuation of \$4,161,237,754.

In July 2007, the District defeased all of its Series 2000, Series 2004 and Series 2006 General Obligation Community College Bonds and a portion of its Series 2002 General Obligation Community College Bonds. These bonds were defeased with the issuance of the 2007 General Obligation Community College Bonds. Portions of the proceeds of the new bonds were placed in irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability related to the defeased bonds are not included in the District's financial statements.

The advance refunding in fiscal year 2008 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$40,100. This difference was reported in 2008 as a gain on bond refunding. The balance remaining outstanding on these advanced refunded bonds at June 30, 2013 and 2012 was \$-0- and \$894,511, respectively.

NOTE 7 - OPERATING LEASES

Commitments under operating lease agreements for facilities and equipment provide for minimum annual rental payments as follows:

	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
Year ending June 30:			
2014	\$ 49,620	\$ 20,980	\$ 70,600
2015	-	9,080	9,080
2016	-	3,960	3,960
	<u>\$ 49,620</u>	<u>\$ 34,020</u>	<u>\$ 83,640</u>

Lease expense amounted to \$160,258 and \$160,012 for the years ended June 30, 2013 and 2012, respectively.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 8 - RETIREMENT COMMITMENTS - STATE UNIVERSITY RETIREMENT SYSTEM

Plan Description

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

Funding Policy

Plan members are required to contribute 8.0 percent of their annual covered salary and substantially all employer contributions are made by the State of Illinois on behalf of the individual employers at an actuarially determined rate. The current rate (for FY 2014) is 35.20 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the Illinois General Assembly. The employer contributions to SURS for the years ended June 30, 2013, 2012, 2011, and 2010 were \$6,493,851, \$4,861,925, \$3,477,359, and \$2,895,964, respectively, equal to the required contributions for each year.

NOTE 9 - RISK MANAGEMENT

The District accounts for and finances its uninsured risks of loss related to medical care and outpatient prescription drug costs. A third party administrator provides administrative services for this self insurance plan. Under this program, the fund provides coverage of the District's employee medical insurance up to \$65,000 in eligible claims per covered member per year. The aggregate stop loss coverage limit (for all covered members) equals the average number of employees during the stop loss coverage period multiplied by the aggregate stop loss limit claim value of \$8,745.95. In no event will the aggregate stop loss coverage limit be less than \$3,070,672.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 9 - RISK MANAGEMENT (CONTINUED)

The reserve for health care costs reported in the fund at June 30, 2013 and 2012, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liability includes all known claims and an amount for claims that have been incurred but not reported (IBNR).

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Reserve for health care costs at July 1	\$ 430,840	\$ 744,668	\$ 493,414
Claims incurred during the period	3,072,256	2,962,824	2,986,427
Changes in the IBNR estimate	52,339	(18,661)	(7,500)
Payments on claims	<u>(3,190,294)</u>	<u>(3,257,991)</u>	<u>(2,727,673)</u>
Reserve for health care costs at June 30	<u>\$ 365,141</u>	<u>\$ 430,840</u>	<u>\$ 744,668</u>

The reserve for health care costs is recorded with the accounts payable and accrued liabilities categories on the statements of net position as of June 30, 2013 and 2012, respectively.

NOTE 10 - RESTRICTED AND DESIGNATED NET POSITION

At June 30, 2013 and 2012, net position was restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Capital projects	<u>\$ 651,580</u>	<u>\$ 384,545</u>
Working cash	<u>\$ 3,900,000</u>	<u>\$ 3,900,000</u>
Restricted for:		
Audit	\$ 19,920	\$ 9,819
Liability, protection, and settlement	<u>122,682</u>	<u>14,690</u>
Total other restricted expendable net position	<u>\$ 142,602</u>	<u>\$ 24,509</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 10 - RESTRICTED AND DESIGNATED NET POSITION (CONTINUED)

The working cash fund was created as a result of the issuance of bonds, for which the proceeds were restricted to be used for working cash purposes. The State of Illinois statutory authority for creating working cash funds (110 ILCS 805/3-33.1 through 3-33.6) restricts the use of established funds to making short-term loans to other funds of the College.

At June 30, 2013 and 2012, the District had \$1,511,808 and \$3,933,290, respectively, of unrestricted net position. Of these balances, the District has \$951,026 and \$667,197 designated for payment of self insurance premiums and \$178,400 and \$-0- designated for pension liabilities at June 30, 2013 and 2012, respectively. The remaining unrestricted 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.

NOTE 11 - COMPONENT UNIT - FOUNDATION

Following is condensed financial information of the Heartland Community College Foundation, a discretely presented component unit of the District.

The Foundation is a private not-for-profit organization that reports its financial results under applicable Financial Accounting Standards Board (FASB) Statements.

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

Unrestricted net position - Includes net position that is 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 position - Includes net position that is 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 position is transferred to unrestricted net position and reported in the statement of revenues, expenses, and changes in net position as net position released from restrictions.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 11 - COMPONENT UNIT - FOUNDATION (CONTINUED)

Revenue Recognition

Funds that are not restricted by their sources are recognized as revenue as they are received. Funds that are restricted by their sources are recorded as additions to the fund balances of the appropriate fund groups. Restricted funds are then recorded as revenue during the period in which they are expended. All other revenue is recognized in the period to which it relates.

Investments

Investments in marketable securities with readily determinable fair values are reported at fair value in the statement of net position. Unrealized gains and losses are included in the change in net position. Investment income and gains restricted by a donor are reported as increases in unrestricted net position if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

Investments as of June 30, 2013 and 2012 are as follows:

	Fair Market Values	
	<u>2013</u>	<u>2012</u>
Mutual funds	<u>\$ 1,510,630</u>	<u>\$ 985,926</u>

Restricted Net Position

Temporarily restricted net position at June 30, 2013 and 2012 is available for the following purposes or period:

	<u>2013</u>	<u>2012</u>
Scholarships and awards	\$ 1,944,399	\$ 482,790
Miscellaneous	<u>237,549</u>	<u>95,238</u>
Total temporarily restricted net position	<u>\$ 2,181,948</u>	<u>\$ 578,028</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 11 - COMPONENT UNIT - FOUNDATION (CONTINUED)

Restricted Net Position (Continued)

Permanently restricted net position at June 30, 2013 and 2012 consisted of the following purposes or period:

	<u>2013</u>	<u>2012</u>
Astroth Student Athlete Award Fund	\$ 10,000	\$ 10,000
AAWCC Endowed Fund	10,000	10,000
WNET Endowed Scholarship Fund	20,000	20,000
Joseph McCauley Art Scholarship Fund	10,000	10,000
GPS Dual Credit Scholarship Fund	10,000	-
CAT Endowed Scholarship	40,000	40,000
State Farm Endowed Scholarship Fund	10,000	-
Murl Wunderle Business Scholarship Fund	10,000	10,000
Pearl Davies Bowman Scholarship Fund	10,000	10,000
Star for Education Foundation Fund	10,000	10,000
Poulton Mitchell Scholarship Fund	10,000	10,000
Shelly Weidenbenner Scholarship Fund	10,000	10,000
Prairie Scholarship Fund	20,000	20,000
BN Trades, Livingston McLean Endowed Fund	10,000	10,000
Annual Faculty Endowed Fund	10,000	10,000
Nursing Scholarship Fund	10,000	10,000
Art Adams Scholarship Fund	10,000	10,000
Robert Blass Memorial Scholarship Fund	10,000	10,000
BLDD Architects Scholarship Fund	10,000	10,000
Childcare Endowment Fund	10,000	10,000
Hinthorn Memorial Endowed Scholarship Fund	<u>10,000</u>	<u>10,000</u>
Total permanently restricted net position	<u>\$ 260,000</u>	<u>\$ 240,000</u>

NOTE 12 - CONTINGENCIES

The District is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, the District has determined that the resolution of this matter will not have an adverse effect on the financial condition of the District.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 13 - RECENT ACCOUNTING PRONOUNCEMENTS

The following pending pronouncements as of June 30, 2013 were not yet effective for the District:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the District beginning with its year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, will be effective for the District beginning with its year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

GASB Statement No. 67, *Financial Reporting for Pension Plans*, will be effective for the District beginning with its year ending June 30, 2014. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans and requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 13 - RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the District beginning with its year ending June 30, 2015. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The statement will be effective for the District with its year ending June 30, 2015.

Management is currently evaluating the effect that these pronouncements will have on the District's basic financial statements.

NOTE 14 - SUBSEQUENT EVENTS

Management evaluated subsequent events through December 4, 2013, the date the financial statements were available to be issued.

Effective November 1, 2013, the District issued \$1,700,000 in Series 2013 Refunding Debt Certificates. These certificates were issued for the purpose of paying the principal amount of the District's 2010 debt certificates due on December 1, 2013.

This information is an integral part of the accompanying financial statements.

**STATISTICAL SECTION
(Unaudited)**

**Heartland Community College
Community College District #540
Statistical Section**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	46-47
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	48-53
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.	54-59
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	60-62
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	63-69

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

FINANCIAL TRENDS

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

(Unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net position:										
Net investment in capital assets	\$46,573,950	\$46,469,388	\$40,937,774	\$37,581,516	\$27,452,287	\$32,007,788	\$33,413,824	\$20,061,050	\$13,103,784	\$13,133,659
Restricted for:										
Debt Service	-	-	-	-	-	-	-	-	-	403,134
Capital Projects	651,580	384,545	537,080	72,427	1,874,660	189,405	2,224,417	1,826,438	1,899,790	1,742,224
Working Cash	3,900,000	3,900,000	3,900,000	3,900,000	3,900,000	-	-	-	-	-
Specific Purposes	142,602	24,509	1,542,279	2,597,613	8,395,101	4,679,466	4,404,032	12,382,102	9,605,356	9,135,089
Unrestricted	1,511,808	3,933,290	4,341,765	4,862,254	4,474,335	5,692,700	571,398	2,472,550	1,919,868	1,037,398
Total Net Position	\$52,779,940	\$54,711,732	\$51,258,898	\$49,013,810	\$46,096,383	\$42,569,359	\$40,613,671	\$36,742,140	\$26,528,798	\$25,451,504

Sources: Heartland Community College Comprehensive Annual Financial Reports and general ledger reports

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

FINANCIAL TRENDS

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

(Unaudited)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Operating Revenues										
Student tuition and fees, net of scholarship	\$ 10,529,999	\$ 11,575,275	\$ 9,405,410	\$ 7,849,080	\$ 6,793,175	\$ 5,757,064	\$ 5,033,308	\$ 4,035,122	\$ 4,270,757	\$ 4,183,487
Auxiliary enterprises revenue	856,864	584,994	578,892	619,166	477,929	913,262	382,941	389,816	363,522	365,132
Other operating revenues	3,898,230	2,721,908	1,424,609	1,314,230	1,274,313	1,688,035	1,499,100	1,164,309	1,103,904	794,681
Total Operating Revenues	\$ 15,285,093	\$ 14,882,177	\$ 11,408,911	\$ 9,782,476	\$ 8,545,417	\$ 8,358,361	\$ 6,915,349	\$ 5,589,247	\$ 5,738,183	\$ 5,343,300
Operating Expenses										
Instruction	\$ 13,616,377	\$ 13,865,346	\$ 12,556,027	\$ 11,188,713	\$ 6,091,926	\$ 9,669,362	\$ 9,203,568	\$ 7,914,671	\$ 7,982,525	\$ 7,756,944
Academic Support	2,672,241	2,531,533	1,755,930	1,827,783	10,437,426	1,790,851	1,359,979	1,155,085	1,155,506	988,467
Public services	5,116,227	3,657,252	2,820,304	2,283,646	2,602,753	1,763,109	1,492,929	1,589,043	1,494,245	919,868
Student services	2,578,637	2,826,803	2,508,947	2,304,352	2,823,286	2,112,189	1,904,431	1,602,529	1,600,770	1,379,463
Institutional support	9,165,271	8,833,998	7,884,575	7,334,067	2,270,247	6,687,070	8,614,770	6,432,083	4,672,640	4,702,945
Scholarships, student grants and waivers	4,854,931	6,710,771	6,249,924	3,711,205	1,716,290	2,003,966	1,995,506	1,715,888	2,015,471	2,305,563
Operations and maintenance	3,454,321	4,124,979	3,725,177	3,162,645	1,943,093	2,898,289	2,826,933	2,472,018	2,555,040	2,434,639
Auxiliary enterprises	1,237,178	1,118,834	1,762,563	1,641,309	1,986,178	1,283,096	712,380	411,218	435,275	410,822
Depreciation	4,722,293	4,430,553	3,625,303	2,457,929	1,814,969	1,812,825	1,309,995	1,216,898	1,295,489	1,315,878
SURS contribution paid by state	6,493,851	4,861,925	3,477,359	2,895,964	1,356,181	1,309,964	950,630	642,404	907,023	5,700,158
Total operating expenses	\$ 53,911,327	\$ 52,961,994	\$ 46,366,109	\$ 38,807,613	\$ 33,042,349	\$ 31,330,721	\$ 30,371,121	\$ 25,151,837	\$ 24,113,984	\$ 27,914,747
Operating loss	\$ (38,626,234)	\$ (38,079,817)	\$ (34,957,198)	\$ (29,025,137)	\$ (24,496,932)	\$ (22,972,360)	\$ (23,455,772)	\$ (19,562,589)	\$ (18,375,801)	\$ (22,571,447)
NON-OPERATING REVENUES (EXPENSES)										
Property taxes	\$ 19,798,786	\$ 19,502,637	\$ 18,587,282	\$ 17,807,436	\$ 16,744,021	\$ 14,563,671	\$ 13,401,204	\$ 12,584,524	\$ 11,223,800	\$ 10,343,635
State grants and contracts	4,273,349	4,932,733	4,172,813	4,186,981	4,545,743	4,627,970	4,506,707	4,419,129	3,978,199	4,057,601
Federal grants and contracts	9,840,696	12,459,068	11,282,682	7,377,813	4,917,827	3,461,924	3,482,085	3,381,524	3,842,984	3,344,638
Local grants and contracts	-	-	-	(388,331)	-	-	-	-	20,000	500
Interest expense	(3,692,292)	(388,353)	(329,219)	113,198	(1,697,059)	(3,217,685)	(1,458,870)	(916,507)	(913,063)	(737,267)
Investment income	16,910	201,497	39,716	(50,497)	1,705,568	3,466,130	1,708,638	784,041	394,152	177,802
Amortization of debt issuance costs	(36,858)	(36,856)	(28,347)	-	(47,213)	(23,431)	-	-	-	-
Gain on bond refunding	-	-	-	-	40,100	41,352	-	-	-	-
SURS contribution provided by state	6,493,851	4,861,925	3,477,359	2,895,964	1,814,969	1,309,964	950,630	642,404	907,023	5,700,158
Total non-operating revenues, net	\$ 36,694,442	\$ 41,532,651	\$ 37,202,286	\$ 31,942,564	\$ 28,023,956	\$ 24,229,895	\$ 22,590,394	\$ 20,895,115	\$ 19,453,095	\$ 22,887,067
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 698,153	\$ 4,736,909	\$ 8,880,816	\$ -	\$ -
Change in net position	\$ (1,931,792)	\$ 3,452,834	\$ 2,245,088	\$ 2,917,427	\$ 3,527,024	\$ 1,955,688	\$ 3,871,531	\$ 10,213,342	\$ 1,077,294	\$ 315,620
Beginning of year	\$ 54,711,732	\$ 51,258,898	\$ 49,013,810	\$ 46,096,383	\$ 42,569,359	\$ 40,613,671	\$ 36,742,140	\$ 26,528,798	\$ 25,451,504	\$ 25,135,884
End of Year	\$ 52,779,940	\$ 54,711,732	\$ 51,258,898	\$ 49,013,810	\$ 46,096,383	\$ 42,569,359	\$ 40,613,671	\$ 36,742,140	\$ 26,528,798	\$ 25,451,504

Sources: Heartland Community College Comprehensive Annual Financial Reports and general ledger reports

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

REVENUE CAPACITY

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN LEVY YEARS**

(Unaudited)

<u>Tax Levy Year</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>
2012	\$4,131,636,881	\$12,394,910,643
2011	4,161,237,754	12,483,713,262
2010	4,118,116,444	12,354,349,332
2009	4,048,351,290	12,145,053,870
2008	3,934,177,396	11,802,532,188
2007	3,764,474,185	11,293,422,555
2006	3,580,079,454	10,740,238,362
2005	3,406,317,505	10,218,952,515
2004	3,251,533,663	9,754,600,989
2003	3,176,987,362	9,530,962,086

Source: College Records

Notes: Assessed value is computed to be equal to one third of the estimated actual value.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

REVENUE CAPACITY

**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN LEVY YEARS**

(Unaudited)

Levy Year	Residential Property	Commercial Property	Industrial Property	Farm Property	Railroad Property	Other Property	Total Taxable Assessed Value	Total Direct Tax Rate
2012	\$2,573,618,223	\$1,049,682,431	\$39,273,863	\$407,565,002	\$17,913,945	\$43,583,417	\$4,131,636,881	0.49191
2011	2,620,093,718	1,060,939,966	40,604,960	385,515,518	16,757,294	37,326,298	4,161,237,754	0.47673
2010	2,607,206,669	1,067,531,559	41,660,214	366,976,710	15,701,968	19,039,324	4,118,116,444	0.47315
2009	2,582,151,424	1,053,616,203	43,482,610	341,410,855	13,673,024	14,017,174	4,048,351,290	0.45988
2008	2,505,052,129	1,046,680,547	43,546,041	327,029,856	11,700,513	138,310	3,934,147,396	0.45331
2007	2,412,182,985	995,472,661	43,619,701	302,525,068	10,535,460	138,310	3,764,474,185	0.44423
2006	2,286,033,435	943,368,468	43,319,871	297,019,383	10,199,987	138,310	3,580,079,454	0.40655
2005	2,137,679,528	902,984,157	37,691,791	318,042,121	9,784,274	135,634	3,406,317,505	0.39291
2004	2,005,940,296	873,817,267	37,259,386	324,411,717	9,966,687	138,310	3,251,533,663	0.38752
2003	1,947,162,176	841,715,040	35,411,514	344,160,945	8,403,667	134,020	3,176,987,362	0.35260

Sources: Heartland Community College Records and County Clerk's Offices of McLean, Livingston, Tazewell, Ford, Logan, and DeWitt Counties

Notes:

- (1) Ford County actual EAV by property type was determined to be all farm property for all years by Ford County Clerk's office.
- (2) The actual EAV by property type was available for all levy years for all counties.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

REVENUE CAPACITY

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING
GOVERNMENTS WITHIN MCLEAN COUNTY
LAST TEN LEVY YEARS**

(Unaudited)

Taxing Bodies	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
McLean County	0.91165	0.91571	0.91673	0.90687	0.89659	0.90098	0.91927	0.93885	0.93874	0.93680
Town of Normal	0.76272	0.77488	0.78259	0.78476	0.74289	0.74897	0.75819	0.79281	0.82629	0.83990
Normal Library	0.43971	0.41484	0.39507	0.36452	0.35069	0.33915	0.32919	0.33345	0.34060	0.34760
Normal Township	0.16692	0.16501	0.15807	0.15138	0.14934	0.14858	0.11826	0.12249	0.12592	0.12390
Normal Road and Bridge	0.09070	0.08965	0.08589	0.08115	0.08115	0.08086	0.07591	0.07863	0.08085	0.07960
Normal School District #5	4.88412	4.73499	4.76383	4.69289	4.58932	4.53253	4.44755	4.47579	4.50786	4.43030
Bloomington/Normal Water District	0.16402	0.16390	0.16391	0.16476	0.16036	0.15871	0.15303	0.14835	0.15014	0.14310
Bloomington/Normal Airport Authority	0.12745	0.15486	0.09855	0.08546	0.11008	0.10781	0.11621	0.05202	0.10680	0.10920
City of Bloomington	1.05990	1.05955	1.06013	1.07616	0.99541	1.00665	0.99730	0.99901	1.00710	1.01060
City of Bloomington Township	0.14145	0.14328	0.17309	0.18217	0.18683	0.2208	0.22972	0.23686	0.18862	0.15620
Bloomington School District #87	4.72322	4.65741	4.65682	4.61222	4.58085	4.51459	4.48221	4.48075	4.47014	4.43450
Bloomington Library	0.25620	0.25073	0.25087	0.26108	0.26108	0.26601	0.27099	0.27284	0.27359	0.27330
Bloomington Cemetery	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02190
Total overlapping rate	13.72806	13.52481	13.50555	13.36342	13.10459	13.02564	12.89783	12.93185	13.01665	12.90690
Heartland Community College	0.49191	0.47673	0.47315	0.45988	0.45331	0.44423	0.40655	0.39291	0.38752	0.35260
TOTAL RATE	14.21997	14.00154	13.9787	13.8233	13.5579	13.46987	13.30438	13.32476	13.40417	13.25950

Source: McLean County Clerk's Office

Notes: Rates are per \$100 of assessed valuation.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

REVENUE CAPACITY

**PRINCIPAL TAXPAYERS
CURRENT LEVY YEAR AND NINE YEARS AGO**

(Dollars in Thousands)

(Unaudited)

Taxpayer Name	Type of Business/Service	2012 Assessed Valuation	Rank	Percentage of District 540 Assessed Valuation	2003 Assessed Valuation	Rank	Percentage of District 540 Assessed Valuation
State Farm Insurance Company	Insurance	\$ 171,830	1	4.16%	\$ 155,259	1	4.89%
Eastland Mall LLC %CBL & Associates Mgt. Inc.	Retail Mall	17,138	2	0.41%			
Nextera Energy Resources	Clean Energy Services Provider	16,455	3	0.40%			
Wal-Mart Stores, Inc.	Retail	12,891	4	0.31%	10,532	3	0.33%
High Trail Wind Farm	Energy	12,070	5	0.29%			
Country Insurance & F.S.	Insurance				12,412	2	0.39%
IMI College Hills Development LLC	Retail				8,897	6	0.28%
Illinois Agriculture Association	AG Insurance	9,280	6	0.22%	9,103	5	0.29%
Mitsubishi Motors Manufacturing	Auto Manufacturing	7,471	7	0.18%	9,139	4	0.29%
Wingover Apts	Housing	6,521	8	0.16%			
Westminister Village	Retirement Center	6,029	9	0.15%	4,982	8	0.16%
Amresco	Retail				5,375	7	0.17%
Land Tr By-1	Office Building				4,180	9	0.13%
DPR Limited Partnership	Warehouse Distribution				4,175	10	0.13%
Brookridge Apartments LLC	Apartments	5,904	10	0.14%			
TOTAL		\$ 265,589		6.43%	\$224,054		7.06%

Source: County Assessor's office

Notes:

- (1) Every effort has been made to seek out and report the largest taxpayers. However, many of the taxpayers listed contain multiple parcels and it is possible that some parcels and their valuations have been overlooked.
- (2) The 2012 assessed valuation is the most current available.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

REVENUE CAPACITY

**PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Levy Years**

(Unaudited)

Tax Levy Year	Fiscal Year	Assessed Valuation	Direct Tax Rate	Taxes Extended	Total Collected Through June 30, 2012	Collected During Year Ended June 30, 2013	Total Collected Through June 30, 2013	Percentage of Taxes Extended Collected Through June 30, 2013
2012	2014	\$4,131,636,881	0.49191	\$20,324,387	\$0	\$8,587,671	\$8,587,671	42.25%
2011	2013	4,161,237,754	0.47673	19,838,409	8,333,150	11,465,636	19,798,786	99.80%
2010	2012	4,118,116,444	0.47315	19,484,868	19,502,637	-	19,502,637	100.09%
2009	2011	4,048,351,290	0.45988	18,617,490	18,587,282	-	18,587,282	99.84%
2008	2010	3,934,177,396	0.45331	17,833,705	17,807,437	-	17,807,437	99.85%
2007	2009	3,764,474,185	0.44423	16,726,407	16,744,020	-	16,744,020	100.11%
2006	2008	3,580,079,454	0.40655	14,562,903	14,563,671	-	14,563,671	100.01%
2005	2007	3,406,317,505	0.39291	13,353,583	13,401,204	-	13,401,204	100.36%
2004	2006	3,251,533,663	0.38752	12,607,168	12,584,524	-	12,584,524	99.82%
2003	2005	3,176,987,362	0.35260	11,200,711	11,223,804	-	11,223,804	100.21%

Source: Heartland Community College Comprehensive Annual Financial Reports and accounting records

Notes:

- (1) Heartland is not subject to tax caps and therefore, has no tax cap limit.
- (2) Due to differences in the computational methods followed by the District's six counties, portions of each which are within the District's boundaries, there may be slight differences between the final levy amounts extended by the counties and those used for financial statement purposes.
- (3) Taxes are generally due on June 1st and September 1st of the calendar year subsequent to the levy year.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

REVENUE CAPACITY

**ENROLLMENT, TUITION AND FEE RATES, CREDIT HOURS, AND TUITION AND FEE REVENUES GENERATED
LAST TEN FISCAL YEARS**

(Unaudited)

<u>Fiscal Year</u>	<u>Headcount Credit Courses</u>	<u>Tuition and Fee Rates</u>			<u>ICCB S3</u>	<u>Tuition & Fee Revenue</u>
		<u>In District Tuition and Fees per Semester Hour</u>	<u>Out of District Tuition and Fees per Semester Hour</u>	<u>Out of State Tuition and Fees per Semester Hour</u>	<u>Total Semester Credit Hours Generated</u>	<u>All Funds</u>
2013	5,456	\$136	\$263	\$390	104,408	\$17,551,049
2012	5,610	131	254	377	111,560	17,844,502
2011	5,459	108	216	324	108,514	15,231,883
2010	5,266	95	183	271	105,787	12,430,415
2009	5,062	87	167	247	95,110	10,393,191
2008	4,827	77	154	231	88,111	8,442,661
2007	4,764	70	140	210	85,855	7,529,795
2006	4,736	63	126	189	82,810	6,482,511
2005	4,647	60	120	180	83,606	6,171,608
2004	4,672	55	110	165	81,909	5,939,144

Sources: Heartland Community College records and Comprehensive Annual Financial Reports, and ICCB S3 Summary Report

The tuition figures here are reflected at gross amounts, while financial statements present tuition net of scholarship allowances.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

DEBT CAPACITY

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year	General Obligation Bonds (1)	General Obligation Debt Certificates	Capital Lease Obligations	Total Outstanding Debt	District #540 Estimated Actual Taxable Property Value	Percentage of Total Outstanding Debt to Estimated Actual Taxable Property Value	Population	Total Outstanding Debt Per Capita	Percentage of Total Debt To Personal Income
2013	\$78,915,000	\$5,890,000	\$93,816	\$84,898,816	\$12,394,910,643	0.68%	208,539	407.11	1.05%
2012	82,015,000	5,000,000	184,109	87,199,109	12,483,713,262	0.70%	208,539	418.14	1.24%
2011	80,580,000	1,700,000	267,100	82,547,100	12,354,349,332	0.67%	208,539	395.84	1.23%
2010	83,040,000	-	258,570	83,298,570	12,145,053,870	0.69%	203,178	409.98	1.29%
2009	80,560,000	-	300,650	80,860,650	11,802,532,188	0.69%	203,178	397.98	1.31%
2008	77,820,000	-	4,089	77,824,089	11,293,422,555	0.69%	203,178	383.03	1.31%
2007	20,115,000	59,000,000	15,397	79,130,397	10,740,238,362	0.74%	199,593	396.46	1.39%
2006	22,165,000	-	21,193	22,186,193	10,218,952,515	0.22%	199,593	111.16	0.41%
2005	20,745,000	-	80,818	20,825,818	9,754,600,989	0.21%	199,593	104.34	0.40%
2004	15,425,000	6,000,000	162,210	21,587,210	9,530,962,086	0.23%	195,733	110.29	0.43%

Sources: College records, Comprehensive Annual Financial Reports, and ICCB Summary Profile

Notes:

- (1) Balances include current and non-current portions of bond principal outstanding.
- (2) Details of the College's outstanding debt can be found in Note 6 in the notes to the financial statements.
- (3) Population is from the ICCB Summary Profile of the IL Public Community Colleges.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

DEBT CAPACITY

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year	General Obligation Bonds (1)	General Obligation Debt Certificates	Net General Bonded Debt	District #540 Estimated Actual Taxable Property Value	Percentage of Net General Bonded Debt to Estimated Actual Taxable Property Value	Population	Net General Bonded Debt Per Capita
2013	\$78,915,000	\$5,890,000	\$84,805,000	\$12,394,910,643	0.68%	208,539	406.66
2012	82,015,000	5,000,000	87,015,000	12,483,713,262	0.70%	208,539	417.26
2011	80,580,000	1,700,000	82,280,000	12,354,349,332	0.67%	208,539	394.55
2010	83,040,000	-	83,040,000	12,145,053,870	0.68%	203,178	408.71
2009	80,560,000	-	80,560,000	11,802,532,188	0.68%	203,178	396.50
2008	77,820,000	-	77,820,000	11,293,422,555	0.69%	203,178	383.01
2007	20,115,000	59,000,000	79,115,000	10,740,238,362	0.74%	199,593	396.38
2006	22,165,000	-	22,165,000	10,218,952,515	0.22%	199,593	111.05
2005	20,745,000	-	20,745,000	9,754,600,989	0.21%	199,593	103.94
2004	15,425,000	6,000,000	21,425,000	9,530,962,086	0.22%	195,733	109.46

Sources: College records, Comprehensive Annual Financial Reports, and ICCB Summary Profile

Notes:

- (1) Balances include current and non-current portions of bond principal outstanding.
- (2) Details of the College's outstanding debt can be found in Note 6 in the notes to the financial statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

DEBT CAPACITY

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year	Assessed Value	Debt Limit Rate	Debt Limit (Assessed Value X Debt Limit Rate)	Net Debt Applicable to Debt Limit (1)	Legal Debt Margin	Net Debt Applicable to Debt Limit as a Percentage of Debt Limit
2013	\$4,131,636,881	2.875%	\$118,784,560	\$84,805,000	\$33,979,560	71.39%
2012	4,161,237,754	2.875%	119,635,585	87,015,000	32,620,585	72.73%
2011	4,118,116,444	2.875%	118,395,848	82,280,000	36,115,848	69.50%
2010	4,048,351,290	2.875%	116,390,100	83,040,000	33,350,100	71.35%
2009	3,934,177,396	2.875%	113,107,600	80,560,000	32,547,600	71.22%
2008	3,764,474,185	2.875%	108,228,633	77,820,000	30,408,633	71.90%
2007	3,580,079,454	2.875%	102,927,284	79,115,000	23,812,284	76.86%
2006	3,406,317,505	2.875%	97,931,628	22,165,000	75,766,628	22.63%
2005	3,251,533,663	2.875%	93,481,593	20,745,000	72,736,593	22.19%
2004	3,176,987,362	2.875%	91,338,387	21,425,000	69,913,387	23.46%

Sources: Heartland Community College records, Comprehensive Annual Financial Reports, and McLean County records

Notes:

- (1) Balances include current and non-current portions of bond principal outstanding.
- (2) Details of the College's outstanding debt can be found in the notes to the financial statements.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

**LISTING OF DIRECT AND OVERLAPPING BONDED DEBT
LAST TEN FISCAL YEARS**

(Unaudited)

	Fiscal Year 2013			Fiscal Year 2012			Fiscal Year 2011			Fiscal Year 2010		
	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt
Normal School District	\$179,790,000	99.96%	\$179,718,084	\$183,650,000	99.96%	\$183,576,540	\$193,137,884	99.96%	\$193,060,629	\$175,290,000	99.96%	\$175,219,884
Ford County	475,000	0.10%	475	580,000	0.10%	580				1,060,000	0.06%	636
City of Bloomington	73,360,000	100.00%	73,360,000	77,145,000	100.00%	77,145,000	73,055,000	100.00%	73,055,000	77,330,000	100.00%	77,330,000
McLean County Public Building Commission	10,625,282	95.01%	10,095,310	12,563,993	95.19%	11,959,665				18,709,513	95.24%	17,818,940
B/N Airport Authority	15,080,000	100.00%	15,080,000	15,460,000	100.00%	15,460,000				23,710,000	100.00%	23,710,000
Prairie Central School District #8	3,976,248	70.17%	2,790,133	5,630,008	70.17%	3,950,577	4,994,576	70.12%	3,502,197	9,559,215	70.12%	6,702,922
Town of Normal	78,060,000	100.00%	78,060,000	78,940,000	100.00%	78,940,000				89,590,000	100.00%	89,590,000
Village of Carlock	65,000	100.00%	65,000	75,000	100.00%	75,000	85,000	100.00%	85,000	100,000	100.00%	100,000
Town of Normal Special Service Area #1	4,870,000	100.00%	4,870,000	5,150,000	100.00%	5,150,000	80,000,000	100.00%	80,000,000	5,510,000	100.00%	5,510,000
Olympia School District #16	13,670,000	99.97%	13,665,899	13,205,000	99.97%	13,201,039	13,905,802	99.97%	13,901,630	13,990,000	99.97%	13,985,803
Bloomington School District #87	39,795,000	100.00%	39,795,000	41,580,000	100.00%	41,580,000	43,195,000	100.00%	43,195,000	45,965,000	100.00%	45,965,000
Tri-Valley School District #3	4,875,000	99.88%	4,869,150	5,215,000	99.88%	5,208,742	5,523,460	99.88%	5,516,832	3,060,000	99.88%	3,056,328
Heyworth School District #4	7,345,000	100.00%	7,345,000	7,810,000	100.00%	7,810,000	8,005,000	100.00%	8,005,000	9,730,000	100.00%	9,730,000
Ridgeview School District #19	2,220,000	82.08%	1,822,176	3,395,000	82.08%	2,786,616	3,500,691	82.08%	2,873,367	5,515,000	82.08%	4,526,712
Village of Heyworth	30,000	100.00%	30,000	45,000	100.00%	45,000	60,000	100.00%	60,000	9,075,000	100.00%	9,075,000
Gridley School District #10												
Chenoa School District #9												
El Paso-Gridley School Unit #11	3,795,000	25.10%	952,545	4,850,000	25.10%	1,217,350	1,460,618	25.10%	366,615	7,500,000	25.10%	1,882,500
Lexington School District #7	5,655,000	100.00%	5,655,000	4,470,000	100.00%	4,470,000	4,735,000	100.00%	4,735,000	2,490,000	100.00%	2,490,000
City of Chenoa	8,700	100.00%	8,700	17,400	100.00%	17,400	26,100	100.00%	26,100	103,500	100.00%	103,500
Randolph Fire Protection District										510,000	100.00%	510,000
Village of Stanford												
Village of Towanda												
Village of Gridley										1,090,000	100.00%	1,090,000
Village of McLean										780,000	100.00%	780,000
City of Lincoln	175,000	100.00%	175,000	345,000	100.00%	345,000	500,000	100.00%	500,000	610,000	100.00%	610,000
City of Fairbury	500,000	100.00%	500,000	500,000	100.00%	500,000				170,000	100.00%	170,000
City of Atlanta	60,000	100.00%	60,000	70,000	100.00%	70,000	80,000	100.00%	80,000	450,000	100.00%	450,000
Randolph Township Road & Bridge												
Town of Randolph Road District										230,000	100.00%	230,000
Lincoln Rural Fire Protection District	925,000	97.96%	906,130	1,005,000	97.96%	984,498				1,215,000	97.96%	1,190,214
Lincoln Park District	595,000	100.00%	595,000	575,000	100.00%	575,000				545,000	100.00%	545,000
Chester-East Lincoln SD #61	2,105,000	99.93%	2,103,527	88,000	99.93%	87,938	134,900	99.93%	134,806	110,000	99.93%	109,923
Eureka CUSD #140				365,000	0.04%	146	287	0.04%	0	1,655,000	0.04%	662
Illini Central CUSD #189	3,375,000	0.04%	1,350	3,595,000	0.04%	1,438	1,352	0.04%	1	4,000,000	0.04%	1,600
Lincoln CHSD #404	3,480,000	90.11%	3,135,828	3,745,000	90.11%	3,374,620	3,599,885	90.11%	3,243,856	4,455,000	90.11%	4,014,401
Lincoln SD #27	1,085,000	100.00%	1,085,000	1,490,000	100.00%	1,490,000	1,855,000	100.00%	1,855,000	5,370,000	100.00%	5,370,000
Pontiac CCSD #429	350,000	99.01%	346,535	595,000	99.01%	589,110	821,783	99.01%	813,647	1,245,000	99.01%	1,232,675
Pontiac THSD #90	1,150,000	90.57%	1,041,555	1,390,000	90.57%	1,258,923	1,467,234	90.57%	1,328,874	2,050,000	90.57%	1,856,685
Rooks Creek CCSD #425	25,000	100.00%	25,000	50,000	100.00%	50,000	75,000	100.00%	75,000	120,000	100.00%	120,000
West Lincoln-Broadwell SD #92	1,390,000	94.58%	1,314,662	1,450,000	94.58%	1,371,410	1,423,487	94.58%	1,346,334	1,600,000	94.58%	1,513,280
Logan Country	600,000	72.28%	433,680									
Downs Fire Protection District										2,795,000	92.66%	2,589,847
Tazewell County				340,000		340,000	340,000		340,000	6,655,000	3.89%	258,880
Village of Cooksville												
Octavia Park District	10,000	100.00%	10,000		100.00%	340,000	340,000	100.00%	340,000			
Subtotal	\$459,520,230		\$449,915,738	\$475,384,401		\$463,631,592	\$441,983,059		\$438,099,888	\$533,942,228		\$509,440,392
Heartland Community College #540	\$84,805,000	100.00%	\$84,805,000	\$87,015,000	100.00%	\$87,015,000	\$82,280,000	100.00%	\$82,280,000	\$83,040,000	100.00%	\$83,040,000
Total	\$544,325,230		\$534,420,738	\$562,399,401		\$550,646,592	\$524,263,059		\$520,379,888	\$616,982,228		\$592,480,392

Source: First Midstate

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

**LISTING OF DIRECT AND OVERLAPPING BONDED DEBT
LAST TEN FISCAL YEARS**

(Unaudited)

	Fiscal Year 2009			Fiscal Year 2008			Fiscal Year 2007			Fiscal Year 2006		
	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt
Normal School District	\$175,290,000	99.96%	\$175,219,884	\$89,210,000	100.00%	\$89,210,000	\$192,110,000	100.00%	\$192,110,000	\$197,090,000	100.00%	\$197,090,000
Ford County	1,060,000	0.06%	636									
City of Bloomington	79,430,000	100.00%	79,430,000	58,968,544	100.00%	58,968,544	76,902,552	100.00%	76,902,552	79,844,956	100.00%	79,844,956
McLean County Public Building Commission	18,709,513	95.24%	15,304,382	20,693,284	100.00%	23,278,284	23,278,284	100.00%	23,278,284	16,135,000	100.00%	16,135,000
B/N Airport Authority	14,770,000	100.00%	14,770,000	6,775,000	100.00%	6,775,000	8,320,000	100.00%	8,320,000	8,975,000	100.00%	8,975,000
Prairie Central School District #8	9,559,215	70.12%	6,702,922	10,733,110	56.80%	6,096,406	11,795,486	56.80%	6,699,836	12,743,585	56.80%	7,238,356
Town of Normal	89,590,000	100.00%	89,590,000	64,500,000	100.00%	64,500,000	39,900,000	100.00%	39,900,000	40,000,000	100.00%	40,000,000
Village of Carlock	100,000	100.00%	100,000									
Town of Normal Special Service Area #1	5,510,000	100.00%	5,510,000	5,510,000	100.00%	5,510,000						
Olympia School District #16	13,990,000	99.97%	13,985,803	15,070,000	100.00%	15,070,000	3,035,000	100.00%	3,035,000	4,835,000	100.00%	4,835,000
Bloomington School District #87	45,965,000	100.00%	45,965,000	28,570,000	100.00%	28,570,000	29,670,000	100.00%	29,670,000	30,195,000	100.00%	30,195,000
Tri-Valley School District #3	3,060,000	99.88%	3,056,328	3,440,000	100.00%	3,440,000	3,790,000	100.00%	3,790,000	4,110,000	100.00%	4,110,000
Heyworth School District #4	9,730,000	100.00%	9,730,000	5,865,000	100.00%	5,865,000	6,095,000	100.00%	6,095,000	6,300,000	100.00%	6,300,000
Ridgeview School District #19	5,515,000	82.08%	4,526,712	4,340,000	100.00%	4,340,000	4,610,000	100.00%	4,610,000	1,675,000	100.00%	1,675,000
Village of Heyworth	90,000	100.00%	90,000	780,000	100.00%	780,000	1,000,000	100.00%	1,000,000	1,205,000	100.00%	1,205,000
Gridley School District #10												
Chenoa School District #9												
El Paso-Gridley School Unit #11	7,500,000	25.10%	1,882,500	8,715,000	26.27%	2,289,431	9,325,000	26.27%	2,449,678	9,845,000	26.27%	2,586,282
Lexington School District #7	2,490,000	100.00%	2,490,000	795,000	100.00%	795,000	600,000	100.00%	600,000	890,000	100.00%	890,000
City of Chenoa	43,500	100.00%	43,500	162,200	100.00%	162,200	69,600	100.00%	69,600	78,300	100.00%	78,300
Randolph Fire Protection District	0	100.00%	0	280,000	98.84%	276,752	305,000	98.84%	301,462	330,000	98.84%	326,172
Village of Stanford												
Village of Towanda										20,000	100.00%	20,000
Village of Gridley	0	100.00%	0	385,000	100.00%	385,000	400,000	100.00%	400,000			
Village of McLean	0	100.00%	0									
City of Lincoln	330,000	100.00%	330,000									
City of Fairbury												
City of Atlanta	100,000	100.00%	100,000									
Randolph Township Road & Bridge				85,000	100.00%	85,000	105,000	100.00%	105,000	120,000	100.00%	120,000
Town of Randolph Road District	0	100.00%	0									
Lincoln Rural Fire Protection District	1,215,000	97.96%	1,190,214									
Lincoln Park District	545,000	100.00%	545,000									
Chester-East Lincoln SD #61	110,000	99.93%	109,923									
Eureka CUSD #140	1,655,000	0.04%	662									
Illini Central CUSD #189	4,000,000	0.04%	1,600									
Lincoln CHSD #404	4,455,000	90.11%	4,014,401									
Lincoln SD #27	2,540,000	100.00%	2,540,000									
Pontiac CCSD #429	1,245,000	99.01%	1,232,675									
Pontiac THSD #90	2,050,000	90.57%	1,856,685									
Rooks Creek CCSD #425	120,000	100.00%	120,000									
West Lincoln-Broadwell SD #92	1,600,000	94.58%	1,513,280									
Logan Country												
Downs Fire Protection District				2,800,000	100.00%	2,800,000						
Tazewell County												
Village of Cooksville												
Octavia Park District							80,000	100.00%	80,000	120,000	100.00%	120,000
Subtotal	\$502,367,228		\$481,952,107	\$327,677,138		\$319,196,617	\$411,390,922		\$399,416,412	\$414,511,841		\$401,744,066
Heartland Community College #540	\$80,560,000	100.00%	\$80,560,000	\$77,820,000	100.00%	\$77,820,000	\$20,550,000	100.00%	\$20,550,000	\$20,870,000	100.00%	20,870,000
Total	\$582,927,228		\$562,512,107	\$405,497,138		\$397,016,617	\$431,940,922		\$419,966,412	\$435,381,841		\$422,614,066

Source: First Midstate

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

**LISTING OF DIRECT AND OVERLAPPING BONDED DEBT
LAST TEN FISCAL YEARS**

(Unaudited)

	Fiscal Year 2005			Fiscal Year 2004		
	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt	Total Gross Debt Outstanding	Percentage of Debt Applicable to District #540	College's Direct and Overlapping Bonded Debt
Normal School District	\$138,745,000	100.00%	\$138,745,000	\$141,780,000	100.00%	\$141,780,000
Ford County						
City of Bloomington	71,651,869	100.00%	71,651,869	31,061,355	100.00%	31,061,355
McLean County Public Building Commission	18,670,000	100.00%	18,670,000	20,980,000	100.00%	20,980,000
B/N Airport Authority	9,630,000	100.00%	9,630,000	10,135,000	100.00%	10,135,000
Prairie Central School District #8	13,558,238	56.80%	7,701,079	11,035,821	56.80%	6,268,346
Town of Normal	20,000,000	100.00%	20,000,000	10,000,000	100.00%	10,000,000
Village of Carlock						
Town of Normal Special Service Area #1						
Olympia School District #16	6,490,000	100.00%	6,490,000	8,005,000	100.00%	8,005,000
Bloomington School District #87	24,025,000	100.00%	24,025,000	6,995,000	100.00%	6,995,000
Tri-Valley School District #3	4,395,000	100.00%	4,395,000	4,860,000	100.00%	4,860,000
Heyworth School District #4	6,665,000	100.00%	6,665,000	6,300,000	100.00%	6,300,000
Ridgeview School District #19	2,030,000	100.00%	2,030,000	2,350,000	100.00%	2,350,000
Village of Heyworth	1,385,000	100.00%	1,385,000	1,390,000	100.00%	1,390,000
Gridley School District #10				1,360,000	95.90%	1,304,240
Chenoa School District #9				1,170,000	77.47%	906,399
El Paso-Gridley School Unit #11	9,295,000	26.27%	2,441,797			
Lexington School District #7	540,000	100.00%	540,000	290,000	100.00%	290,000
City of Chenoa	322,000	100.00%	322,000	362,000	100.00%	362,000
Randolph Fire Protection District	355,000	98.84%	350,882	370,000	98.84%	365,708
Village of Stanford	40,000	100.00%	40,000	80,000	100.00%	80,000
Village of Towanda	40,000	100.00%	40,000	55,000	100.00%	55,000
Village of Gridley						
Village of McLean						
City of Lincoln						
City of Fairbury						
City of Atlanta						
Randolph Township Road & Bridge				20,000	100.00%	20,000
Town of Randolph Road District						
Lincoln Rural Fire Protection District						
Lincoln Park District						
Chester-East Lincoln SD #61						
Eureka CUSD #140						
Illini Central CUSD #189						
Lincoln CHSD #404						
Lincoln SD #27						
Pontiac CCSD #429						
Pontiac THSD #90						
Rooks Creek CCSD #425						
West Lincoln-Broadwell SD #92						
Logan Country						
Downs Fire Protection District						
Tazewell County						
Village of Cooksville						
Octavia Park District	120,000	100.00%	120,000			
Subtotal	\$327,957,107		\$315,242,627	\$258,599,176		\$253,508,048
Heartland Community College #540	\$20,745,000	100.00%	\$20,745,000	\$21,425,000	100.00%	\$21,425,000
Total	<u>\$348,702,107</u>		<u>\$335,987,627</u>	<u>\$280,024,176</u>		<u>\$274,933,048</u>

Source: First Midstate

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

DEMOGRAPHIC AND ECONOMIC INFORMATION

**PERSONAL INCOME PER CAPITA
LAST TEN FISCAL YEARS**

(Unaudited)

Year	District #540 Counties Served	Size of District (2)	District #540 Population (2)	McLean Co. Population	McLean Co. Personal Income	McLean Co. Per Capita Personal Income	McLean Co. Unemployment Rate
2013	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	208,539	171,166 (3)	\$8,048,396,486 (5)	47,021 (5)	7.20%
2012	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	208,539	170,556 (3)	7,005,103,041 (4)	41,072	7.20%
2011	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	208,539	169,572 (3)	6,720,619,229 (4)	39,633	7.70%
2010	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	203,178	168,854 (3)	6,447,688,572 (4)	38,185	6.40%
2009	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	203,178	167,066 (3)	6,185,841,885 (4)	37,026	6.70%
2008	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	203,178	165,298	5,934,629,038 (4)	35,265	5.50%
2007	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	199,593	165,148	5,693,618,180 (4)	34,476	3.90%
2006	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	199,593	162,069	5,462,395,000	33,704	3.90%
2005	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	199,593	158,978	5,231,160,000	32,905	4.00%
2004	Dewitt, Ford, Livingston, Logan, McLean, Tazewell	1,863 square miles	195,733	157,782	5,073,783,000	32,157	4.30%

Sources: Heartland Community College Comprehensive Annual Financial Reports, ICCB Summary Profile,
U.S. Census Bureau - McLean County Personal Income, McLean County Economic Development Council's Demographic Profiles,
and Illinois Department of Employment Security - Unemployment Rate/McLean County.

- Notes:
- (1) Approximately 100% of Heartland Community College District #540 Metropolitan areas lie in McLean County.
All other counties in District #540 are considered Non-Metropolitan.
 - (2) Square miles and population data was used with the most recent ICCB Summary Profiles available.
 - (3) McLean County population growth for FY 2009 - 2010 was based upon the projected increase in population by 2015 by the Department of Commerce and Economic Opportunity, Northern Illinois Planning Commission.
McLean County population for FY 2011 was based upon the US Census Bureau's 2010 report.
McLean County population for FY 2012 was based upon the US Department of Commerce 2012.
McLean County population for FY 2013 was based upon the ESRI and US Census Bureau population for calendar year 2012 from the B/N EDC Report.
 - (4) McLean County Income was estimated for FY 2007 - 2012 and was based upon the increase in personal income in FY 2006 by the US Census Data.
 - (5) McLean County Per Capita Personal Income was based upon demographic information from Wikipedia. McLean County Personal Income was calculated by multiplying the Per Capita Personal Income by the McLean Co Population

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

DEMOGRAPHIC AND ECONOMIC INFORMATION

**PRINCIPAL EMPLOYERS
LAST TEN FISCAL YEARS**

(Unaudited)

Employer	2013			2012			2011			2010			2009		
	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population
Anderson Financial Network, Inc. (AFNI)	700	10	0.34%	778	10	0.37%	900	8	0.43%	750	9	0.37%	883	8	0.43%
Advocate Bro Menn Medical Center	1,347	5	0.65%	1,157	6	0.55%	1,522	5	0.73%	2,006	5	0.99%	1,591	5	0.78%
City of Bloomington							743	10	0.36%						
Country Insurance & Fin. Services	1,955	3	0.94%	2,049	3	0.98%	2,084	3	1.00%	2,174	3	1.07%	2,178	3	1.07%
County of McLean										699	10	0.34%	680	10	0.33%
District 87 Schools (Bloomington)	700	9	0.34%												
GTE															
Illinois State University	3,251	2	1.56%	3,275	2	1.57%	3,259	2	1.56%	3,542	2	1.74%	3,205	2	1.58%
McLean County	806	8	0.39%	806	9	0.39%	806	9	0.39%	806	8	0.40%	820	9	0.40%
Mitsubishi Motor Manufacturing	1,294	6	0.62%	1,270	5	0.61%	1,278	6	0.61%	1,303	6	0.64%	1,418	6	0.70%
OSF St. Joseph Medical Center	1,028	7	0.49%	832	8	0.40%	1,140	7	0.55%	1,096	7	0.54%	1,122	7	0.55%
State Farm Insurance Companies	14,935	1	7.16%	14,528	1	6.97%	14,450	1	6.93%	15,359	1	7.56%	15,509	1	7.63%
The Eureka Company															
Unit 5 Schools (Normal)	1,674	4	0.80%	1,754	4	0.84%	1,826	4	0.88%	2,037	4	1.00%	1,692	4	0.83%
Wal-Mart, Inc.															
Growmark				932	7	0.45%									
Total	27,690		13.28%	27,381		13.13%	28,008		13.43%	29,772		14.65%	29,098		14.32%

Employer	2008			2007			2006			2005			2004		
	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population	Employees	Rank	District #540 % of Population
Anderson Financial Network, Inc. (AFNI)	1,012	7	0.50%	1,217	7	0.61%	1,217	7	0.61%	1,047	7	0.52%	1,045	7	0.53%
BroMenn Healthcare	1,537	6	0.76%	1,514	6	0.76%	2,142	4	1.07%	1,950	5	0.98%	1,900	4	0.97%
City of Bloomington	645	10	0.32%				830	10	0.42%				859	10	0.44%
Country Insurance & Fin. Services	2,204	3	1.08%	2,158	3	1.08%	2,200	3	1.10%	2,289	3	1.15%	1,366	6	0.70%
County of McLean				870	9	0.44%	859	9	0.43%	892	9	0.45%	909	9	0.46%
District 87 Schools (Bloomington)				675	10	0.34%				879	10	0.44%			
GTE															
Illinois State University	3,152	2	1.55%	3,121	2	1.56%	3,267	2	1.64%	3,211	2	1.61%	3,372	3	1.72%
McLean County Service (FS)	870	9	0.43%												
Mitsubishi Motor Manufacturing	1,725	5	0.85%	1,800	4	0.90%	1,898	5	0.95%	1,979	4	0.99%	3,397	2	1.74%
OSF St. Joseph Medical Center	997	8	0.49%	956	8	0.48%	951	8	0.48%	974	8	0.49%	959	8	0.49%
State Farm Insurance Companies	15,297	1	7.53%	14,653	1	7.34%	14,315	1	7.17%	14,132	1	7.08%	15,846	1	8.10%
The Eureka Company															
Unit 5 Schools (Normal)	1,754	4	0.86%	1,785	5	0.89%	1,666	6	0.83%	1,487	6	0.75%	1,638	5	0.84%
Wal-Mart, Inc.															
Total	29,193		14.37%	28,749		14.40%	29,345		14.70%	28,840		14.46%	31,291		15.99%

Sources: Heartland Community College Comprehensive Annual Financial Reports, and Bloomington-Normal Economic Development Council.

Notes:

- (1) Approximately 100% of Heartland Community College District #540 Metropolitan areas lie in McLean County.
All other counties in District #540 are considered Non-Metropolitan.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

DEMOGRAPHIC AND ECONOMIC INFORMATION

**PROPERTY VALUES, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

(Dollars in Thousands)

(Unaudited)

<u>Fiscal Year</u>	<u>District #540 Property Value</u>	<u>McLean Co. Construction</u>	<u>McLean Co. Bank Deposits</u>
2013	\$12,394,911	\$48,823	\$12,453,121
2012	12,483,713	62,499	12,440,671
2011	12,354,349	62,284	12,415,000
2010	12,145,054	67,808	12,796,000
2009	11,802,532	53,865	12,147,000
2008	11,293,423	72,767	12,026,000
2007	10,740,238	97,578	11,449,000
2006	10,218,952	99,671	9,549,000
2005	9,754,601	150,034	7,994,000
2004	9,530,962	298,100	6,528,000

Sources: Heartland Community College Comprehensive Annual Financial Reports, College Records, McLean County Economic Development Council, U.S. Census Bureau-McLean County Construction, and SummaryofDeposits@fdic.gov

Notes: Approximately 100% of Heartland Community College District #540 Metropolitan areas lie in McLean County. All other counties in District #540 are considered Non-Metropolitan.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

OPERATING INFORMATION

**NUMBER OF EMPLOYEES
LAST TEN FISCAL YEARS**

(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Faculty					
Full Time	93	95	94	89	85
Part Time	172	232	213	200	189
Total Faculty	<u>265</u>	<u>327</u>	<u>307</u>	<u>289</u>	<u>274</u>
Staff					
Administrative	69	66	57	50	49
Classified	63	67	62	56	58
Professional/Technical	96	100	98	85	89
Total Staff	<u>228</u>	<u>233</u>	<u>217</u>	<u>191</u>	<u>196</u>
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Faculty					
Full Time	80	75	75	69	64
Part Time	171	180	199	196	197
Total Faculty	<u>251</u>	<u>255</u>	<u>274</u>	<u>265</u>	<u>261</u>
Staff					
Administrative	43	42	35	32	33
Classified	51	49	48	49	50
Professional/Technical	74	66	66	61	61
Total Staff	<u>168</u>	<u>157</u>	<u>149</u>	<u>142</u>	<u>144</u>

Sources: Heartland Community College Comprehensive Annual Financial Reports and College Records

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

OPERATING INFORMATION

**STUDENT CREDIT HOURS BY ENROLLMENT CATEGORIES
LAST TEN FISCAL YEARS**

(Unaudited)

<u>Funding Category</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Baccalaureate	71,611	80,036	77,170	74,823	68,423
Business Occupational	3,413	3,404	3,571	3,950	3,615
Technical Occupational	4,039	4,362	5,144	5,171	4,959
Health Occupational	5,353	5,614	6,053	5,355	4,483
Remedial Developmental	11,093	12,138	11,770	11,985	10,039
Adult Basic Education/ Adult Secondary	8,899	6,006	4,806	4,503	3,591
TOTAL	<u>104,408</u>	<u>111,560</u>	<u>108,514</u>	<u>105,787</u>	<u>95,110</u>

<u>Funding Category</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Baccalaureate	64,090	63,198	60,854	60,071	58,498
Business Occupational	3,970	3,561	3,032	2,971	3,273
Technical Occupational	4,319	3,669	4,150	5,270	5,888
Health Occupational	3,617	3,894	3,517	3,339	2,741
Remedial Developmental	9,609	9,179	8,755	9,084	9,896
Adult Basic Education/ Adult Secondary	2,507	2,354	2,502	2,871	1,613
TOTAL	<u>88,112</u>	<u>85,855</u>	<u>82,810</u>	<u>83,606</u>	<u>81,909</u>

Source: College Records

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

OPERATING INFORMATION

**STUDENT ENROLLMENT DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year	Fall Enrollment Headcount	Full-Time Equivalent	Male	Female	Full-Time	Part-Time	Average Class Size	Number of Classrooms and Labs
2013	5,456	3,459	2,529	2,927	2,452	3,004	18.01	179
2012	5,610	3,632	2,616	2,994	2,591	3,019	18.42	179
2011	5,459	3,508	2,545	2,914	2,599	2,860	17.30	179
2010	5,266	3,395	2,451	2,815	2,524	2,742	18.09	179
2009	5,062	3,156	2,298	2,764	2,273	2,710	18.36	179
2008	4,827	3,006	2,186	2,641	2,137	2,690	17.89	170
2007	4,764	2,813	2,092	2,672	2,001	2,774	17.47	136
2006	4,736	2,814	2,080	2,656	1,955	2,712	18.20	136
2005	4,647	2,780	2,066	2,581	1,971	2,676	17.70	136
2004	4,672	2,780	2,028	2,644	1,960	2,821	14.60	136

Fiscal Year	Continuing	First Time	Readmit	Transfer	In-District Residency	Median Age	Degrees Earned
2013	2,532	1,019	824	663	4,341	21	654
2012	2,568	1,062	868	709	4,346	21	723
2011	2,514	1,019	870	668	4,192	21	718
2010	2,805	1,129	1,082	250	4,240	22	673
2009	343	2,919	170	1,551	4,834	21	655
2008	521	2,728	121	1,455	4,667	22	646
2007	731	2,519	38	1,487	4,681	22	783
2006	871	2,325	32	1,439	4,583	22	775
2005	1,036	2,214	29	1,368	4,413	22	699
2004	1,336	1,924	27	1,368	4,649	22	604

Source: College Records and ICCB E1 Report

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

OPERATING INFORMATION

**CAPITAL ASSET STATISTICS
LAST TEN FISCAL YEARS**

(Unaudited)

<u>Net Capital Assets:</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$4,368,661	\$4,368,661	\$4,368,661	\$2,225,290	\$2,225,290
Furniture and equipment	6,325,786	6,880,156	2,278,654	1,687,340	1,315,471
Buildings	105,264,779	106,121,515	106,546,605	85,362,347	50,745,044
Infrastructure	10,873,967	11,779,288	9,777,203	6,209,081	2,593,895
Other Assets (Tower Leases)	205,732	219,158	232,584	0	0
Construction in progress	139,573	84,849	281,167	18,311,046	28,285,153
Total Net Capital Assets	<u>\$127,178,498</u>	<u>\$129,453,627</u>	<u>\$123,484,874</u>	<u>\$113,795,104</u>	<u>\$85,164,853</u>

<u>Other Information:</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital contributions	\$0	\$0	\$0	\$0	\$0
Depreciation expense	4,722,293	4,430,553	3,620,387	2,457,929	1,986,177
Amortization expense (Tower Leases)	13,426	13,426	4,916	0	0

<u>Net Capital Assets:</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land	\$2,225,290	\$2,225,290	\$2,225,290	\$2,225,290	\$2,225,290
Furniture and equipment	1,323,346	1,089,975	614,641	757,315	967,537
Buildings	44,518,586	26,417,207	27,245,482	28,142,565	28,624,112
Infrastructure	2,806,254	2,459,877	2,644,530	2,804,432	2,903,930
Other Assets (Tower Leases)	0	0	0	0	0
Construction in progress	7,835,443	18,585,501	9,517,300	0	0
Total Net Capital Assets	<u>\$58,708,919</u>	<u>\$50,777,850</u>	<u>\$42,247,243</u>	<u>\$33,929,602</u>	<u>\$34,720,869</u>

<u>Other Information:</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Capital contributions	\$698,153	\$4,736,909	\$8,880,816	\$0	\$0
Depreciation expense	1,812,824	1,309,995	1,211,947	1,290,616	1,315,878
Amortization expense (Tower Leases)	0	0	0	0	0

Source: College Records

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

OPERATING INFORMATION

**CAPITAL ASSET STATISTICS - SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

(Unaudited)

CAPITAL ASSET TYPE:	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land - Acres	<u>142.45</u>	<u>142.45</u>	<u>142.45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>	<u>45</u>
Furniture and Equipment - No. of Units										
Education	117	116	123	113	110	97	90	90	88	89
Operations & Maintenance	18	14	12	12	14	14	14	15	13	8
Operations & Maintenance Restricted	68	68	85	85	85	85	83	83	83	83
Restricted Purposes	219	193	185	153	131	129	91	36	31	26
Liability, Protection & Settlement	7	7	6	5	5	5	5	4	3	3
Total Furniture and Equipment Units	<u>429</u>	<u>398</u>	<u>411</u>	<u>368</u>	<u>345</u>	<u>330</u>	<u>283</u>	<u>228</u>	<u>218</u>	<u>209</u>
Buildings - Square Feet										
Instructional Commons Building	97,666	97,666	97,666	97,666	97,666	97,666	97,666	97,666	97,666	97,666
Instructional Commons North Building	44,350	44,350	44,350	44,350	0	0	0	0	0	0
Astroth Continuing Education Center	40,751	40,751	40,751	40,751	0	0	0	0	0	0
Child Development Lab	20,100	20,100	20,100	20,100	20,100	0	0	0	0	0
Fitness and Recreation Center	46,784	46,784	46,784	0	0	0	0	0	0	0
Receiving and Storage Building	7,556	7,556	7,556	7,556	7,556	0	0	0	0	0
Physical Plant Building	14,436	14,436	14,436	14,436	14,436	14,436	14,436	14,436	14,436	14,436
Community Commons Building	49,191	49,191	49,191	49,191	49,191	49,191	49,191	49,191	49,191	49,191
Student Commons Building	102,182	102,182	102,182	102,182	79,932	79,932	79,932	79,932	79,932	79,932
Workforce Development Center	101,425	101,425	101,425	101,425	101,425	101,425	0	0	0	0
Total Building Square Footage	<u>524,441</u>	<u>524,441</u>	<u>524,441</u>	<u>477,657</u>	<u>370,306</u>	<u>342,650</u>	<u>241,225</u>	<u>241,225</u>	<u>241,225</u>	<u>241,225</u>
Infrastructure - No. of Improvements										
Education	0	0	0	0	0	0	0	0	0	0
Operations & Maintenance	9	8	6	4	3	3	2	2	1	1
Operations & Maintenance Restricted	12	11	11	10	9	9	8	8	8	6
Auxiliary	1	1	1	0	0	0	0	0	0	0
Restricted Purposes	6	4	2	1	0	0	0	0	0	0
Total Infrastructure Improvements	<u>28</u>	<u>24</u>	<u>20</u>	<u>15</u>	<u>12</u>	<u>12</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>7</u>
Construction in Progress - No. of Buildings/Projects										
Buildings/Projects	2	2	4	1	4	4	1	1	0	0
Total Construction in Progress Buildings/Projects	<u>2</u>	<u>2</u>	<u>4</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>
Capital Assets Disposed - No. of Units	<u>0</u>	<u>28</u>	<u>3</u>	<u>2</u>	<u>22</u>	<u>1</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>0</u>

Source: College records

**Heartland Community College
Community College District #540**

Equalized Assessed Valuations and Taxes Extended and Collected

**Levy Years 2012 through 2005
(Unaudited)**

	<u>2012 Levy</u>	<u>2011 Levy</u>	<u>2010 Levy</u>	<u>2009 Levy</u>	<u>2008 Levy</u>	<u>2007 Levy</u>	<u>2006 Levy</u>	<u>2005 Levy</u>
Equalized Assessed Valuation								
DeWitt County	\$ 9,661,719	\$ 9,257,216	\$ 8,821,882	\$ 8,855,821	\$ 8,329,686	\$ 7,858,785	\$ 7,580,231	\$ 7,812,229
Ford County	187,310	179,260	171,980	165,330	103,980	98,840	100,160	113,130
Livingston County	304,334,001	304,891,479	298,191,608	293,226,900	282,111,917	274,909,954	266,104,899	252,427,830
Logan County	314,407,415	310,343,406	311,309,611	303,802,499	300,251,023	290,588,199	283,541,893	272,619,205
McLean County	3,410,957,250	3,447,174,824	3,411,002,045	3,359,472,510	3,263,561,003	3,117,253,117	2,952,989,453	2,803,013,163
Tazewell County	92,089,186	89,391,569	88,619,318	82,828,230	79,819,787	73,765,290	69,762,818	70,331,948
Total	<u>\$ 4,131,636,881</u>	<u>\$ 4,161,237,754</u>	<u>\$ 4,118,116,444</u>	<u>\$ 4,048,351,290</u>	<u>\$ 3,934,177,396</u>	<u>\$ 3,764,474,185</u>	<u>\$ 3,580,079,454</u>	<u>\$ 3,406,317,505</u>
Tax Rates (Per \$100 of Equalized Assessed Valuation)								
Educational Fund	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500	0.17500
Operations and Maintenance Fund	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000	0.05000
Audit Fund	0.00350	0.00327	0.00300	0.00291	0.00261	0.00259	0.00266	0.00331
Liability, Protection and Settlement Fund	0.06770	0.05901	0.05513	0.05184	0.04883	0.04638	0.04529	0.04795
Bond and Interest Fund	0.16860	0.15971	0.16256	0.15284	0.14836	0.14260	0.10254	0.08296
Operations and Maintenance Fund (Restricted)	0.00061	0.00264	0.00096	0.00099	0.00191	0.00093	-	0.00631
Equity Tax	0.02650	0.02710	0.02650	0.02630	0.02660	0.02673	0.03106	0.02738
Total	<u>0.49191</u>	<u>0.47673</u>	<u>0.47315</u>	<u>0.45988</u>	<u>0.45331</u>	<u>0.44423</u>	<u>0.40655</u>	<u>0.39291</u>
Taxes Extended								
Educational Fund	\$ 7,230,365	\$ 7,282,166	\$ 7,206,704	\$ 7,084,615	\$ 6,884,810	\$ 6,587,830	\$ 6,265,139	\$ 5,961,056
Operations and Maintenance Fund	2,065,818	2,080,619	2,059,058	2,024,176	1,967,089	1,882,237	1,790,040	1,703,159
Audit Fund	142,704	135,909	123,554	117,670	102,543	97,660	95,278	112,741
Liability, Protection and Settlement Fund	2,797,118	2,456,000	2,270,000	2,099,000	1,921,000	1,746,441	1,621,441	1,633,517
Bond and Interest Fund	6,967,310	6,646,020	6,694,465	6,187,314	5,836,772	5,368,360	3,670,440	2,825,630
Operations and Maintenance Fund (Restricted)	25,355	110,000	39,600	40,000	75,000	35,000	-	214,806
Equity Tax	1,095,717	1,127,695	1,091,301	1,064,716	1,046,491	1,008,879	1,120,565	902,674
Total	<u>\$ 20,324,387</u>	<u>\$ 19,838,409</u>	<u>\$ 19,484,682</u>	<u>\$ 18,617,491</u>	<u>\$ 17,833,705</u>	<u>\$ 16,726,407</u>	<u>\$ 14,562,903</u>	<u>\$ 13,353,583</u>

**Heartland Community College
Community College District #540**

Summary of Taxes Receivable and Tax Collections

**Year Ended June 30, 2013
(Unaudited)**

	<u>2012 Levy</u>	<u>2011 Levy</u>
Assessed valuations	\$ 4,131,636,881	\$ 4,161,237,754
Combined rate per \$100	0.49191	0.47673
Taxes Extended	<u>\$ 20,324,387</u>	<u>\$ 19,838,409</u>
Total collected to June 30, 2012	\$ -	\$ 8,333,150
Collected during year ended June 30, 2013	<u>\$ 8,587,671</u>	<u>\$ 11,465,636</u>
Total collected to June 30, 2013	<u>\$ 8,587,671</u>	<u>\$ 19,798,786</u>
Write-offs	<u>\$ -</u>	<u>\$ (39,623)</u>
Balance at June 30, 2013	<u>\$ 11,736,716</u>	<u>\$ -</u>
Percent collected through June 30, 2013	<u>42.25%</u>	<u>99.80%</u>
Balance by Funds:		
Education	\$ 5,026,714	
Operations and Maintenance	1,176,020	
Operations and Maintenance (restricted)	14,396	
Bond and Interest	3,994,520	
Audit	81,804	
Liability, Protection and Settlement	<u>1,443,262</u>	
Total	<u>\$ 11,736,716</u>	

**CERTIFICATION OF CHARGEBACK REIMBURSEMENT
FOR FISCAL YEAR 2014**

(Unaudited)

CERTIFICATION OF CHARGEBACK REIMBURSEMENT FOR FISCAL YEAR 2014
(UNAUDITED)

ALL FISCAL YEAR 2013 NONCAPITAL AUDITED OPERATING EXPENDITURES FROM THE FOLLOWING FUNDS:

1	EDUCATION FUND	\$ 29,796,920
2	OPER & MAINT FUND	2,695,257
3	PBC O&M FUND	-
4	BOND AND INTEREST	1,248,128
5	PBC RENTAL FUND	-
6	RESTRICTED PURPOSES	18,410,672
7	AUDIT FUND	126,032
8	LIABILITY, PROTECTION, SET	2,352,832
9	AUXILIARY ENTERPRISES (subsidy only)	<u>76,076</u>
10	TOTAL NON-CAPITAL EXPENDS	\$ 54,705,917
11	DEPRECIATION ON CAPITAL OUTLAY FROM SOURCES OTHER THAN STATE/FEDERAL	<u>\$ 1,574,098</u>
12	TOTAL COSTS INCLUDED	\$ 56,280,015
13	TOTAL CERTIFIED SEMESTER CREDIT HOURS FOR FY 2013	104,408
14	PER CAPITA COST	\$ 539
15	ALL FY2013 STATE/FEDERAL OPERATING GRANTS FOR NON-CAPITAL EXPENDITURES, EXCEPT ICCB GRANTS	\$ 10,242,120
16	FY 2013 STATE/FEDERAL GRANTS PER SEMESTER CREDIT HOUR	\$ 98
17	DISTRICT'S AVERAGE ICCB FY 2014 GRANT RATE	\$ 18
18	DISTRICT'S STUDENT TUITION AND FEE RATE PER SEMESTER CREDIT HOUR FOR FY2014	\$ 139
19	CHARGEBACK REIMBURSEMENT PER SEMESTER CREDIT HOUR	<u><u>\$ 284</u></u>

Approved: /s/ Robert D. Widmer
President - Robert D. Widmer

November 12, 2013
Date

**ILLINOIS COMMUNITY COLLEGE BOARD
STATE GRANTS**

FINANCIAL AND COMPLIANCE SECTION

**Independent Auditors' Report on Compliance With State Requirements
for Career and Technical Education - Program Improvement
Grants and Adult Education and Family Literacy Grants**

Board of Trustees
Heartland Community College
Community College District #540
Normal, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Career and Technical Education - Program Improvement and Adult Education and Family Literacy Grants of Heartland Community College District #540 (District), which comprise the balance sheet as of June 30, 2013, and the related statements of revenues, expenditures and changes in fund balance for the year then ended, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Career and Technical Education - Program Improvement and Adult Education and Family Literacy Grants of Heartland Community College District #540 at June 30, 2013, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Career and Technical Education - Program Improvement Grants and the Adult Education and Family Literacy Grants, and of Heartland Community College District #540's financial statements. The compliance schedule of expenditure amounts and percentages for ICCB grant funds only for the Adult Education and Family Literacy Grant Program (page 77) is presented for purposes of additional analysis and is not a required part of the financial statements.

The compliance schedule of expenditure amounts and percentages for ICCB grant funds only for the Adult Education and Family Literacy Grant Programs (page 77) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic grant program financial statements as a whole.

CliftonLarsonAllen LLP

Peoria, Illinois
December 4, 2013

**Heartland Community College
Community College District #540**

**Career and Technical Education - Program Improvement Grant
Balance Sheet
June 30, 2013**

Assets

Cash

\$ -

Fund Balance

Fund balance

\$ -

See Note to ICCB Grant Programs Financial Statements.

**Heartland Community College
Community College District #540**

**Career and Technical Education - Program Improvement Grant
Statement of Revenue, Expenditures and Changes in Fund Balance
Year Ended June 30, 2013**

Revenue	
State sources	\$ 9,424
	<u>9,424</u>
Expenditures	
Materials and supplies	9,292
Instructional equipment capitalized	132
	<u>9,424</u>
Excess of revenue over expenditures	-
Fund balance, July 1, 2012	-
	<u>-</u>
Fund balance, June 30, 2013	\$ -
	<u>-</u>

See Note to ICCB Grant Programs Financial Statements.

**Heartland Community College
Community College District #540**

**Adult Education and Family Literacy Grant
Balance Sheet
June 30, 2013**

	State Basic	Public Assistance	Performance	Total
Assets				
Cash	\$ -	\$ -	\$ -	\$ -
Fund Balance				
Fund balance	\$ -	\$ -	\$ -	\$ -

See Note to ICCB Grant Programs Financial Statements.

**Heartland Community College
Community College District #540**

**Adult Education and Family Literacy Grant
Statement of Revenue, Expenditures and Changes in Fund Balance
Year Ended June 30, 2013**

	State Basic	Public Assistance	Performance	Total
Revenue				
State sources	\$ 179,087	\$ 47,978	\$ 67,785	\$ 294,850
Expenditures by program				
Vocational Instruction	25,723	2,541	-	28,264
All Other Instructional Types	85,980	26,453	10,219	122,652
Social work services	6,392	3,315	-	9,707
Guidance services	6,392	5,131	-	11,523
Assessment and testing	7,310	2,423	3,774	13,507
Student transportation services	1,000	-	1,000	2,000
Literacy services	1,569	-	-	1,569
Child care services	-	-	9,346	9,346
Subtotal instructional and student services	134,366	39,863	24,339	198,568
Improvement of instructional services	4,201	920	11,698	16,819
General administration	18,786	1,622	12,603	33,011
Data and information services	21,734	5,573	19,145	46,452
Subtotal program support	44,721	8,115	43,446	96,282
Total expenditures	179,087	47,978	67,785	294,850
Excess of revenue over expenditures	-	-	-	-
Fund balance July 1, 2012	-	-	-	-
Fund balance June 30, 2013	\$ -	\$ -	\$ -	\$ -

See Note to ICCB Grant Programs Financial Statements.

**Heartland Community College
Community College District #540**

**Adult Education and Family Literacy Grant
Supplemental ICCB Compliance Schedule
Expenditure Amounts and Percentages for ICCB Grant Funds Only
Year Ended June 30, 2013**

<u>State Basic</u>	Audited Expenditure Amount	Actual Expenditure Percentage
Instruction (45% Minimum Required)	\$ 111,703	62%
General Administration (15% Maximum Allowed)	18,786	10%
<hr/>		
<u>State Public Assistance</u>		
Instruction (45% Minimum Required)	28,994	60%
General Administration (15% Maximum Allowed)	1,622	3%

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
NOTE TO ICCB GRANT PROGRAMS FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying statements include only those transactions resulting from the ICCB Career and Technical Education - Program Improvement Grant and Adult Education and Family Literacy Grant programs. These transactions have been accounted for in a Restricted Purpose Fund.

Basis of accounting

The financial statements have been prepared on the modified accrual basis. Expenditures include all accounts payable representing liabilities for goods and services actually received as of June 30, 2013. Funds obligated for goods prior to June 30 for which the goods are received prior to August 31 (if any) are recorded as fund balances reserved for encumbrances. Unexpended funds are reflected as a reduction to fund balance and a liability due to the ICCB by October 15.

Capital Assets

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

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540
BACKGROUND INFORMATION ON STATE GRANT ACTIVITY**

Unrestricted Grants

Base Operating Grants: General operating funds provided to colleges based upon credit enrollment.

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

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.

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, other instruction as may be necessary to increase their qualifications for employment or other means of self-support and their ability to meet their responsibilities as citizens including courses of instruction regularly accepted for graduation from elementary or high schools and for Americanization and General Education Development Review classes. Included in this grant are funds for support services, such as student transportation and child care facilities or provision.

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

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

**SCHEDULE OF ENROLLMENT DATA AND OTHER BASES
UPON WHICH CLAIMS ARE FILED**

**Independent Auditors' Report on Schedule of Enrollment Data
and Other Bases Upon Which Claims Are Filed**

Board of Trustees
Heartland Community College
Community College District #540
Normal, Illinois

We have audited in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of Heartland Community College District #540 (District) as of and for the year ended June 30, 2013, and have issued our report thereon dated December 4, 2013. We have also audited the accompanying Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed of Heartland Community College District #540 for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for the preparation and fair presentation of this schedule 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 schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this schedule 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 schedule is free from material misstatement.

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

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

Opinion

In our opinion, the schedule referred to above presents fairly, in all material respects, the student enrollment and other bases upon which claims are filed of Heartland Community College District #540 for the year ended June 30, 2013, in conformity with the laws, regulations, and rules of the Illinois Community College Board.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the Schedule of Enrollment Data and Other Bases Upon Which Claims are Filed of Heartland Community College District #540. The supplementary reconciliation of Total Semester Credit Hours (page 83) is presented for purposes of additional analysis and is not a required part of the schedule, but is supplementary information required by the Illinois Community College Board.

The supplementary reconciliation of Total Semester Credit Hours is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the schedule. Such information has been subjected to the auditing procedures applied in the audit of the schedule and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the schedule or to the schedule itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the schedule as a whole.

Restriction of Use

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

CliftonLarsonAllen LLP

Peoria, Illinois
December 4, 2013

**Heartland Community College District
Community College District #540**

**Schedule of Enrollment Data and Other Bases Upon
Which Claims Are Filed**

For the Year Ended June 30, 2013

Categories:	Total Reimbursable Semester Credit Hours by Term*							
	Summer		Fall		Spring		Total	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Baccalaureate	8,239.0	60.0	32,902.5	45.0	30,294.0	70.0	71,435.5	175.0
Business Occupational	464.0	-	1,479.5	-	1,469.5	-	3,413.0	-
Technical Occupational	179.5	-	2,046.0	18.0	1,736.0	60.0	3,961.5	78.0
Health Occupational	808.0	120.0	2,149.5	-	2,179.0	96.0	5,136.5	216.0
Remedial Developmental	1,109.0	-	5,658.0	-	4,326.0	-	11,093.0	-
Adult Basic Education								
Adult Secondary Education	941.5	-	1,619.0	2,073.0	1,396.5	2,869.0	3,957.0	4,942.0
Total credit hours certified	11,741.0	180.0	45,854.5	2,136.0	41,401.0	3,095.0	98,996.5	5,411.0

	Attending In-District	Attending Out-of-District on Chargeback or Contractual Agreement	Total
Reimbursable semester credit hours	<u>82,901.5</u>	<u>-</u>	<u>82,901.5</u>
	Dual Credit	Dual Enrollment	
Reimbursable semester credit hours	<u>1,255.0</u>	<u>521.0</u>	
District prior year equalized assessed valuation			<u>\$ 4,161,237,754</u>

Signatures /s/ Robert D. Widmer /s/ Robert D. Widmer
 Chief Executive Officer Chief Financial Officer

* 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.

**Heartland Community College District
Community College District #540**

**Schedule of Enrollment Data and Other Bases Upon
Which Claims Are Filed**

For the Year Ended June 30, 2013

**Reconciliation of Total Semester Credit Hours
For the Year Ended June 30, 2013**

<u>Categories</u>	<u>Total Unrestricted Credit Hours</u>	<u>Total Unrestricted Credit Hours Certified to the ICCB</u>	<u>Difference</u>	<u>Total Restricted Credit Hours</u>	<u>Total Restricted Credit Hours Certified to the ICCB</u>	<u>Difference</u>
Baccalaureate	71,435.5	71,435.5	-	175.0	175.0	-
Business Occupational	3,413.0	3,413.0	-	-	-	-
Technical Occupational	3,961.5	3,961.5	-	78.0	78.0	-
Health Occupational	5,136.5	5,136.5	-	216.0	216.0	-
Remedial Developmental	11,093.0	11,093.0	-	-	-	-
Adult Basic Education/Adult Secondary Education	<u>3,957.0</u>	<u>3,957.0</u>	<u>-</u>	<u>4,942.0</u>	<u>4,942.0</u>	<u>-</u>
Total	<u>98,996.5</u>	<u>98,996.5</u>	<u>-</u>	<u>5,411.0</u>	<u>5,411.0</u>	<u>-</u>

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

	<u>Total Attending (Unrestricted and Restricted)</u>	<u>Total Attending as Certified to the ICCB (Unrestricted and Restricted)</u>	<u>Difference</u>
In-District Residents	82,901.5	82,901.5	-
Out-of-District on Chargeback or Contractual Agreement	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>82,901.5</u>	<u>82,901.5</u>	<u>-</u>

	<u>Total Reimbursable</u>	<u>Total Reimbursable Certified to the ICCB</u>	<u>Difference</u>
Dual Credit	1,255.0	1,255.0	-
Dual Enrollment	<u>521.0</u>	<u>521.0</u>	<u>-</u>
Total	<u>1,776.0</u>	<u>1,776.0</u>	<u>-</u>

<u>Categories</u>	<u>Total Correctional Credit Hours</u>	<u>Total Correctional Credit Hours Certified to The ICCB</u>	<u>Difference</u>
Baccalaureate	-	-	-
Business Occupational	-	-	-
Technical Occupational	-	-	-
Health Occupational	-	-	-
Remedial Developmental	-	-	-
Adult Basic Education/Adult Secondary Education	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>-</u>	<u>-</u>	<u>-</u>

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

**NOTE TO SCHEDULE OF ENROLLMENT DATA AND OTHER BASES UPON
WHICH CLAIMS ARE FILED**

June 30, 2013

NOTE 1 - RESIDENCY VERIFICATION PROCESS

Procedures for Verifying and Classifying Residency

Every credit student must submit an application to the College which contains biographic and demographic information. The student signs the application verifying the accuracy of the information and the ability to provide documentation to verify it. The Records Department will use the data contained in the application and on the subsequent enrollment forms to determine residency.

In order to be classified as in-district for tuition, the student must indicate one or more of the following:

- Current residence for at least 30 days at an in-district address
- Permanent residence at an in-district address
- Graduation from or current enrollment in an in-district high school
- Current enrollment at another institution of higher education located in-district
- Although the student resides out-of-district, the student or his parent or guardian maintains full-time employment in-district
- Although the student resides out-of-district, the student owns land and pays taxes in-district

In the case of an address change, a student will submit the change in writing to the Records Department or via the self service address changes in our online system.

The student's signature on the forms mentioned above indicates that he/she is able to produce appropriate documentation to verify residency in-district. Proper documentation includes one or more of the following:

- Drivers license
- State-issued ID
- Voter registration card
- Utility bill
- Bank statement
- ID card from another institution of higher education in-district
- Progress summary from another institution of higher education in-district
- Home/apartment lease
- Cell phone bill

UNIFORM FINANCIAL STATEMENT SECTION

Heartland Community College
Community College District #540
UNIFORM FINANCIAL STATEMENT NO. 1
All Funds Summary
Year Ended June 30, 2013

	Education Fund	Operations and Maintenance Fund	Operations and Maintenance Fund (Restricted)	Bond and Interest Fund	Auxiliary Enterprises Fund	Restricted Purposes Fund	Working Cash Fund	Audit Fund	Liability, Protection and Settlement Fund	Total
Fund Balance July 1, 2012	\$ 2,553,595	\$ 1,928,785	\$ 290,463	\$ 751,317	\$ 11,286	\$ 4,318,131	\$ 3,900,000	\$ 10,799	\$ 10,175	\$ 13,774,551
Revenues:										
Local Tax Revenue	8,354,234	2,870,194	130,090	6,657,067	-	1,938	-	136,095	2,460,127	20,609,745
All Other Local Revenue	-	-	990,000	-	-	-	-	-	-	990,000
ICCB Grants	2,109,119	-	-	-	-	307,274	-	-	-	2,416,393
All Other State Revenue	34,962	-	-	-	-	1,011,036	-	-	-	1,045,998
Federal Revenue	13,364	-	-	-	15,374	9,808,603	-	-	-	9,837,341
Student Tuition and Fees	15,202,556	421,048	-	-	1,206,535	231,551	-	-	-	17,061,690
All Other Revenue	4,333,480	7,163	479	1,427	907,544	1,426	10,197	40	702	5,262,458
Total Revenue	30,047,715	3,298,405	1,120,569	6,658,494	2,129,453	11,361,828	10,197	136,135	2,460,829	57,223,625
Expenditures										
Instruction	12,491,181	-	-	-	-	1,066,706	-	-	137,972	13,695,859
Academic Support	1,331,052	-	-	-	293,499	264,415	-	-	2,787	1,891,753
Student Services	2,578,322	-	-	-	-	63,080	-	-	15,064	2,656,466
Public Service/Continuing Education	4,598,733	-	-	-	-	494,267	-	-	1,775	5,094,775
Auxiliary Services	9,631	-	-	-	1,373,364	32,424	-	-	96,868	1,512,287
Operations and Maintenance	-	2,553,088	1,084,540	-	-	1,065,613	-	-	980,991	5,684,232
Institutional Support	6,394,053	251,156	67,712	1,248,128	133,798	7,564,903	-	126,032	1,117,375	16,903,157
Scholarships, Grants, Waivers	2,440,703	-	-	-	404,869	9,209,082	-	-	-	12,054,654
Total Expenditures	29,843,675	2,804,244	1,152,252	1,248,128	2,205,530	19,760,490	-	126,032	2,352,832	59,493,183
Net Transfers	(68,276)	(247,978)	359,938	(5,455,494)	76,076	5,345,931	(10,197)	-	-	-
Fund Balance June 30, 2013	\$ 2,689,359	\$ 2,174,968	\$ 618,718	\$ 706,189	\$ 11,285	\$ 1,265,400	\$ 3,900,000	\$ 20,902	\$ 118,172	\$ 11,504,993

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 2
SUMMARY OF CAPITAL ASSETS AND DEBT
Year Ended June 30, 2013**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital Assets				
Land and site improvements	\$ 4,368,661	\$ -	\$ -	\$ 4,368,661
Buildings	121,096,775	-	-	121,096,775
Furniture and equipment	12,757,921	396,613	-	13,154,534
Infrastructure	14,841,445	2,009,254	-	16,850,699
Construction in Progress	84,849	54,724	-	139,573
	153,149,651	2,460,591	-	155,610,242
Accumulated Depreciation	(23,915,183)	(4,722,293)	-	(28,637,476)
Net Capital Assets	<u>\$ 129,234,468</u>	<u>\$ (2,261,702)</u>	<u>\$ -</u>	<u>\$ 126,972,766</u>
Fixed Debt				
General obligation bonds	\$ 82,015,000	\$ -	\$ 3,100,000	\$ 78,915,000
General obligation debt certificates	5,000,000	990,000	100,000	5,890,000
Capital lease obligations	184,109	-	90,293	93,816
Total Fixed Liabilities	<u>\$ 87,199,109</u>	<u>\$ 990,000</u>	<u>\$ 3,290,293</u>	<u>\$ 84,898,816</u>

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 3
OPERATING FUND REVENUES AND EXPENDITURES
Year Ended June 30, 2013**

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
OPERATING REVENUES BY SOURCE			
Local Government Revenue:			
Local Taxes	\$ 8,354,234	\$ 2,080,973	\$ 10,435,207
Corporate Personal Property Replacement Tax	-	789,221	789,221
TOTAL LOCAL GOVERNMENT	8,354,234	2,870,194	11,224,428
State Government:			
ICCB Base Operating Grant	1,940,132	-	1,940,132
ICCB Equalization Grant	50,000	-	50,000
ICCB Career & Technical Education	116,055	-	116,055
ICCB Special Initiative	2,932	-	2,932
Other State Grants	34,962	-	34,962
TOTAL STATE GOVERNMENT	2,144,081	-	2,144,081
Federal Government:			
Dept. of Education	13,364	-	13,364
TOTAL FEDERAL GOVERNMENT	13,364	-	13,364
Student Tuition and Fees			
Tuition	14,307,100	421,048	14,728,148
Fees	895,456	-	895,456
TOTAL STUDENT TUITION AND FEES	15,202,556	421,048	15,623,604
Other Sources			
Sales and Service Fees	4,215,741	-	4,215,741
Facilities Revenue	78,580	-	78,580
Investment Revenue	1,216	1,108	2,324
Other	37,943	6,055	43,998
TOTAL OTHER SOURCES	4,333,480	7,163	4,340,643
TOTAL REVENUE	\$ 30,047,715	\$ 3,298,405	\$ 33,346,120

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 3
OPERATING FUND REVENUES AND EXPENDITURES - CONTINUED
Year Ended June 30, 2013**

	Education Fund	Operations and Maintenance Fund	Total Operating Funds
Expenditures by Program			
Instruction	\$ 12,491,181	\$ -	\$ 12,491,181
Academic Support	1,331,052	-	1,331,052
Student Services	2,578,322	-	2,578,322
Public Service/Continuing Education	4,598,733	-	4,598,733
Auxiliary Services	9,631	-	9,631
Operations and Maintenance	-	2,553,088	2,553,088
Institutional Support	6,394,053	251,156	6,645,209
Scholarships, Grants, Waivers	2,440,703	-	2,440,703
TOTAL EXPENDITURES BY PROGRAM	29,843,675	2,804,244	32,647,919
Adjusting Non-Operating Items			
Transfers to nonoperating funds	68,276	247,978	316,254
ADJUSTED EXPENDITURES	\$ 29,911,951	\$ 3,052,222	\$ 32,964,173
Expenditures by Object			
Salaries	\$ 18,086,938	\$ 572,418	\$ 18,659,356
Employee Benefits	2,738,445	111,672	2,850,117
Contractual Services	3,552,686	641,396	4,194,082
General Materials and Supplies	1,581,218	147,721	1,728,939
Conference and Meeting Expenses	545,892	18,228	564,120
Fixed Charges	299,590	370,493	670,083
Utilities	-	833,329	833,329
Capital Outlay	-	108,987	108,987
Other	3,038,906	-	3,038,906
Scholarships, Grants, Waivers**	2,440,703	-	2,440,703
TOTAL EXPENDITURES BY OBJECT	29,843,675	2,804,244	32,647,919
Adjusting Non-Operating Items			
Transfers to non-operating funds	68,276	247,978	316,254
ADJUSTED EXPENDITURES	\$ 29,911,951	\$ 3,052,222	\$ 32,964,173

** This item is for informational purposes only and not included in the total expenditure by object code.

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 4
RESTRICTED PURPOSES FUND REVENUES AND EXPENDITURES
Year Ended June 30, 2013**

REVENUE BY SOURCE:

TOTAL LOCAL GOVERNMENT	<u>\$ 1,938</u>
State Government	
ICCB - Program Improvement Grant	9,424
ICCB - Adult Education	294,850
ICCB - Special Initiatives Grant	3,000
Illinois Student Assistance Commission	585,954
Other	<u>425,082</u>
TOTAL STATE GOVERNMENT	<u>1,318,310</u>
Federal Government	
Dept. of Education	9,545,989
Other	<u>262,614</u>
TOTAL FEDERAL GOVERNMENT	<u>9,808,603</u>
Other Sources	
Tuition and Fees	231,551
Other	<u>1,426</u>
TOTAL OTHER SOURCES	<u>232,977</u>
TOTAL RESTRICTED PURPOSES FUND REVENUES	<u><u>\$ 11,361,828</u></u>

EXPENDITURES BY PROGRAM

Instruction	\$ 1,066,706
Academic Support	264,415
Student Services	63,080
Public Service/Continuing Education	494,267
Auxiliary Services	32,424
Operations and Maintenance	1,065,613
Institutional Support	7,564,903
Scholarships, Grants and Waivers	<u>9,209,082</u>

TOTAL RESTRICTED PURPOSES FUND EXPENDITURES BY PROGRAM **\$ 19,760,490**

EXPENDITURES BY OBJECT

Salaries	\$ 1,054,447
Employee Benefits	146,861
Contractual Services	1,405,900
Student Financial Aid	9,209,082
General Materials and Supplies	1,031,801
Travel & Conference//Meeting Expenses	100,110
Fixed Charges	5,459,147
Utilities	720
Capital Outlay	1,349,818
Other	2,604
Scholarships, Grants and Waivers*	<u>9,209,082</u>

TOTAL RESTRICTED PURPOSES FUND EXPENDITURES BY OBJECT **\$ 19,760,490**

* This item is for informational purposes only and not included in the total expenditure by object code.

**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 5
CURRENT FUNDS* EXPENDITURES BY ACTIVITY
Year Ended June 30, 2013**

INSTRUCTION

Instructional Programs	<u>\$ 13,695,859</u>
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ACADEMIC SUPPORT

Library Center	517,501
Educational Media Services	221,673
Academic Administration and Planning	253,165
Other	<u>899,414</u>
Total Academic Support	<u>1,891,753</u>

STUDENT SERVICES

Admissions and Records	449,455
Counseling and Career Services	1,453,392
Financial Aid Administration	407,164
Other	<u>346,455</u>
Total Student Services Support	<u>2,656,466</u>

PUBLIC SERVICE/CONTINUING EDUCATION

Community Education	4,020,460
Customized Training (Instructional)	542,977
Community Services	186,272
Other	<u>345,066</u>
Total Public Service/Continuing Education	<u>5,094,775</u>

AUXILIARY SERVICES

	<u>1,512,287</u>
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**Heartland Community College
Community College District #540**

**UNIFORM FINANCIAL STATEMENT NO. 5
CURRENT FUNDS* EXPENDITURES BY ACTIVITY (CONTINUED)
Year Ended June 30, 2013**

OPERATIONS AND MAINTENANCE OF PLANT

Maintenance	\$ 1,059,346
Custodial Services	559,900
Grounds	65,030
Campus Security	488,032
Transportation	49,848
Utilities	688,401
Administration	358,197
Other	<u>1,330,938</u>
 Total Operations and Maintenance of Plant	 <u>4,599,692</u>

INSTITUTIONAL SUPPORT

Executive Management	1,286,789
Fiscal Operations	611,476
Community Relations	1,187,775
Administrative Support Services	774,895
Board of Trustees	20,219
General Institutional	5,536,423
Institutional Research	269,052
Administrative Data Processing	3,589,043
Other	<u>2,311,645</u>
 Total Institutional Support	 <u>15,587,317</u>

SCHOLARSHIPS, STUDENTS GRANTS, & WAIVERS	<u>12,054,654</u>
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TOTAL CURRENT FUNDS EXPENDITURES	<u><u>\$ 57,092,803</u></u>
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*Current Funds include the Education; Operations and Maintenance; Auxiliary Enterprises; Restricted Purposes; Audit; and Liability, Protection, and Settlement funds.

FEDERAL FINANCIAL AND COMPLIANCE SECTION

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
In Accordance With *Government Auditing Standards***

Trustees
Heartland Community College
Community College District #540
Normal, 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 Heartland Community College District #540 (District) and its discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Heartland Community College District #540's basic financial statements, and have issued our report thereon dated December 4, 2013. Our report includes a reference to another auditor who audited the component unit of the District, as described in our report on Heartland Community College District #540's financial statements. The financial statements of the District's discretely presented component unit 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 Heartland Community College District #540'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heartland Community College District #540's internal control. Accordingly, we do not express an opinion on the effectiveness of Heartland Community College District #540's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2013-1 and 2013-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland Community College District #540's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 2013-2.

Heartland Community College District #540's Response to Findings

Heartland Community College District #540's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Heartland Community College District #540's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

CliftonLarsonAllen LLP

Peoria, Illinois
December 4, 2013



**Independent Auditors' Report on Compliance With Requirements
That Could Have a Direct and Material Effect on Each Major
Federal Program and Internal Control Over Compliance in
Accordance With OMB Circular A-133**

Board of Trustees
Heartland Community College
Community College District #540
Normal, Illinois

Report on Compliance for Each Major Federal Program

We have audited Heartland Community College District #540's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the District 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as finding 2013-3. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding 2013-3, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Peoria, Illinois
December 4, 2013

Heartland Community College
Community College District #540
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2013

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Student Financial Aid Cluster (Direct)			
Federal Pell Grant Program	(M) 84.063		\$ 5,102,193
Federal Pell Grant Program-Administrative Cost Allowance	(M) 84.063		8,870
Federal VA - Administrative Cost Allowance	(M) 84.063		4,494
Federal Work Study Program	(M) 84.033		89,524
Federal Supplemental Educational Opportunity Grant	(M) 84.007		80,037
Federal Parent Plus Loans	(M) 84.268		69,165
Federal Subsidized Student Loans	(M) 84.268		1,624,877
Federal Unsubsidized Student Loans	(M) 84.268		1,792,664
Subtotal Student Financial Aid Cluster (Direct)			<u>8,771,824</u>
TRIO - Student Support Services (Direct)	84.042		<u>248,482</u>
Heartland Equity & Inclusion Paraprofessional Preservice Program Improvement Project	84.325N		<u>130,412</u>
Pass-through Illinois Community College Board			
Race to the Top - STEM College and Career Readiness Grant	84.413A	13RTTT540	<u>3,535</u>
Adult Education - Basic Grants to States			
Federal Adult Education-Basic	84.002	54001	171,851
EL/Civics Program	84.002	54001	55,771
Subtotal Adult Education Federal Grants from ICCB			<u>227,622</u>
Vocational Educational Basic Grants to States			
V.E. Perkins Title II Postsecondary/Adult	84.048	CTE54012	181,014
V.E. Perkins Innovation Strand III	84.048	CTEL11540	3,446
Local Programs of Study Implementation Grant	84.048	CTEL12POS1540	10,000
Subtotal Vocational Educational Basic Grants to States			<u>194,460</u>
Total U.S. Department of Education			<u>9,576,335</u>
U.S. Department of State			
Pass-through Kirkwood Community College	19.009	34-10-09-851000-683018	41
Community College Summit Initiative Program	19.009	34-10-09-851000-683018	78
	19.009	34-10-09-851000-683018	19
Total U.S. Department of State			<u>138</u>
U.S. Department of Labor			
Pass-through College of Lake County			
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	TC-22517-11-60-A-17	<u>197,442</u>
U.S. Department of Health and Human Services			
Pass-through Illinois Department of Human Services			
Childcare and Dev Blk Grant	93.575	01001490B	<u>3,355</u>
Pass-through Illinois Council on Developmental Disabilities			
HALO Peer Mentoring & Faculty Training	93.575	1088	<u>4,910</u>
Total U.S. Department of Health and Human Services			<u>8,265</u>

**Heartland Community College
Community College District #540
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-through State Board of Education			
Child and Adult Food Care Program	10.558	1376002057	\$ 15,374
Rural Business Enterprise Grant	10.769	1357371271517	2,685
Pass-through Illinois Buffer Partnership/National Fish and Wildlife Foundation Trees Forever	10.683	2011 IBP Cost	<u>1,748</u>
Total U.S. Department of Agriculture			<u>19,807</u>
National Aeronautics and Space Administration			
Pass-through Museum Science & Industry NRA/Competitive Program for Science Museums and Planetariums (Mission To Mars)	43.008	NNX10AD93G	32,196
Pass-through Challenger Center for Space Science Education NASA Global Climate Change Education	43.008	NNX10AB51A	<u>6,513</u>
Total National Aeronautics and Space Administration			<u>38,709</u>
Total Expenditures of Federal Awards			<u>\$ 9,840,696</u>

(M) Denotes major program

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Heartland Community College, Community College District #540 (District) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - NONCASH ASSISTANCE

The District received \$3,355 of noncash child care certificates through federal award programs during the year ended June 30, 2013.

NOTE 3 - LOANS OUTSTANDING

The federal award programs of the District had no outstanding loan balances nor were there any loan guarantees as of June 30, 2013.

NOTE 4 - INSURANCE

The District maintains property and liability insurance which management believes is sufficient to meet its needs. None of the insurance coverages are directly funded by federal awards.

NOTE 5 - SUBRECIPIENTS

No funding was passed through to subrecipients during the year ended June 30, 2013.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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)? x Yes 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)? x Yes 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 Section 510(a) of Circular A-133? x Yes No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? x Yes No

HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**Section II - Findings Related to the Financial Statement Audit as Required to be Reported
in Accordance with Generally Accepted Government Auditing Standards**

A. Internal Control

Finding No. 2013-1 - Review of Journal Entries

There is no formal review process in place for journal entries.

Condition:

In 3 of 5 journal entries tested, we noted that there was no second review prior to posting into the general ledger.

Criteria:

All journal entries should be reviewed by a second independent person in order to lessen the chance of errors in financial reporting.

Effect:

Erroneous or fraudulent entries could be posted that could materially misstate the financial statements.

Recommendation:

We recommend that the District implement a policy in which all journal entries must receive a secondary review prior to posting.

Response and Corrective Action Plan:

Management is looking into workflow tools within their current software that will require a second review before the system will actually post an entry into the general ledger.

Responsible Party:

Sue Gilpin, Controller

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

**Section II - Findings Related to the Financial Statement Audit as Required to be Reported
in Accordance with Generally Accepted Government Auditing Standards** (Continued)

A. Internal Control (Continued)

Finding No. 2013-2 - Review of SU/SR reports

There is no formal review process in place for Certified Credit Hour Claims SU/SR reports.

Condition:

In 9 of 40 courses selected from Certified Credit Hour Claims SU/SR reports, we noted an incorrect number of students were included.

Criteria:

Certified Credit Hour Claims SU/SR reports used to report credit hours to the Illinois Community College Board should be reviewed for inaccuracies prior to submission.

Effect:

Credit hours reported to the Illinois Community College Board were greater than actual hours taken at the District.

Recommendation:

We recommend the District implement a review process on all Certified Credit Hour Claims SU/SR reports prior to submitting information to the Illinois Community College Board.

Response and Corrective Action Plan

Management is evaluating their internal reporting processes to correct the coding causing the errors and will create exception reports that will identify errors in the future.

B. Compliance Findings

See finding 2013-2

Responsible Party:

Sue Gilpin, Controller
Doug Minter, Chief Information Officer
Padriac Shinville, Dean of Enrollment Services

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Section III - Findings and Questioned Costs for Federal Awards

A. Internal Controls

Finding No. 2013-3 - SEOG Expenditures

Federal Agency/Program: U.S. Department of Education/Supplemental Educational Opportunity Grant – 84.007

Questioned Costs: \$250

Finding:

Supplemental Educational Opportunity Grant funds were inappropriately awarded.

Condition:

In one of four students tested, we noted that Supplemental Educational Opportunity Grant funds were awarded to a student with a greater than zero expected family contribution (EFC) when there was another student with a zero expected family contribution that was not awarded Supplemental Educational Opportunity Grant funds.

Criteria:

In selecting among eligible students for Federal Supplemental Educational Opportunity Grant awards in each award year, an institution shall select those students with the lowest expected family contributions who will also receive Federal Pell Grants in that year.

Effect:

Supplemental Educational Opportunity Grant funds were awarded to a student who was not eligible for the funds.

Cause:

Excess Supplemental Educational Opportunity Grant funds are awarded to the students with the lowest expected family contribution before enrollment is closed. Subsequent to the award, students may enroll that have zero expected family contributions and are more eligible for the award.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Section III - Findings and Questioned Costs for Federal Awards (Continued)

A. Internal Controls (Continued)

Recommendation:

Hold excess Supplemental Educational Opportunity Grant funds until enrollment is closed to ensure they are going to the students with the lowest expected family contribution.

Response and Corrective Action Plan:

Selection criteria for awarding SEOG funds at Heartland Community College have been based upon the following:

- Selected student meets priority deadline application date prior to March 1 annually;
- For summer term, awards are granted to students who turned in documents or requests for summer awards first, had unmet need, and attended both Fall and Spring terms prior to the summer term;
- Students were enrolled in 6 hrs or more for the term SEOG would be disbursed; and
- EFC must be less than \$100.

Heartland Community College awards approximately 80% of the SEOG funds during the regular school year. The balance of 20% is held over for the summer enrollment period and administrative costs, if needed.

The Financial Aid Office recently reviewed all of the students awarded SEOG funds during the 2012-13 school year. It was confirmed that only two students, with EFC's > 0, were awarded SEOG funds. The first student was awarded and disbursed funds for the fall 2012 semester, based on a lower ISIR transaction number that included a special circumstance for income adjustment, which brought the initial EFC to 0. After disbursement, a corrected ISIR came into the system that was school initiated and corrected by another institution. The second student had a full year EFC=\$20 which is still within the criteria set during the initial awarding of school year 2012-13 aid. This student was awarded SEOG funds for the summer semester based upon our 2012-13 criteria and a summer prorated or 2 month EFC equal to 0. The student's full year EFC was not considered at the time of awarding.

Financial Aid Office staff will revise their awarding procedures to ensure that SEOG is only awarded to students with the lowest EFC possible. Corrections were made to the stated formula to only award students whose full year EFC equals 0, during school year 2013-14. This will prevent any future awards of SEOG going to students who do not have the lowest EFC in our applicant pool and ensure compliance with Federal guidelines.

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Section III - Findings and Questioned Costs for Federal Awards (Continued)

A. Internal Controls (Continued)

Responsible Party:

Todd Burns, Director of Financial Aid

B. Compliance Findings

See Finding No. 2013-3

**HEARTLAND COMMUNITY COLLEGE
COMMUNITY COLLEGE DISTRICT #540**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

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

A. Internal Control

None

B. Compliance Findings

None

II. Findings and Questioned Costs for Federal Awards

A. Internal Control

None

B. Compliance

None